

## **PART IV – STRATEGIC PLAN**

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### **HOUSING AND COMMUNITY DEVELOPMENT FIVE YEAR STRATEGIC ACTION PLAN 2001 - 2005**

The five-year Strategic Action Plan for Affordable Housing and Community Development is a description of the way the state of Washington will use federal and state housing and federal community development funds and craft state housing policy to respond to the housing needs of the citizens of Washington State.

The strategies contained in this plan were formulated based upon data from a needs assessment by Bay Area Economics (BAE); The Affordable Housing Outlook: A Strategic Assessment an eleven point strategy published by the Affordable Housing Advisory Board in July 1999; the Department of Community, Trade and Economic Development's 1996 Fair Housing Impediments Study; recommendations of the Consolidated Plan Strategic Planning Team and information gathered at nine community forums convened by the Office of Community Development (OCD) in May and June 2000.

Broad based five year goals are presented, followed by strategies related to the goals, initiatives to implement the strategies, and performance measures for calendar year 2001.

The following components of the Strategic Action Plan, one for Affordable Housing and one for Community Development, describe the strategies and initiatives planned for the next five years. For each strategy, performance measures are identified, which represent OCD's Action Plan for 2001. The Affordable Housing component of the Strategic Plan also notes for 2001 performance measures, the resources or participation that are anticipated for each measure. Federal agencies are denoted by (F), state agencies (S), and other entities or revenue sources by (O).

## Housing Priority Analysis

Developing housing priority areas at the state level presents a challenge because specific needs and market conditions vary from county to county and city to city within the state's 39 counties. The data presented in the Needs Assessment section of this plan provide evidence of how the state is geographically and economically diverse. The priority activities outlined for the next five years focus attention on the most critical needs within each priority area. These priority areas should be considered in relation to on HUD Table 2A, which identifies priority housing needs based upon population group, tenure and income level. Funding resources, which are anticipated to be available to carry out the activities specified in the plan, are summarized in the Funding Resources Table in the Action Plan.

**High Priority:** Activities to address the following households in need of housing assistance will be funded by the state during the next five year period, using state and federal funds that become available.

- Homeless households and households at risk of homelessness. Households are considered at risk of homelessness if they are earning less than 30 percent of area median income and paying more than 30 percent of their incomes for housing costs and households earning less than 80 percent of median income paying more than 50 percent of their incomes for housing (severely burdened). While housing markets vary by area, severely burdened households throughout the state tend to live from month to month and could become homeless as a result of a household crisis such a severe illness or loss of a wage earning spouse or partner.
- All households with special needs earning less than 50 percent of the area median income and paying more than 30 percent of their income for housing costs.
- Renter Households earning from 0 to 50 percent of area median income and paying more than 30 percent of their incomes for housing costs.
- Frail elderly who are individuals or households over 85 years old and earning 50% or less than area median income.
- All low-income (below 80 percent of area median income) African American, Hispanic and Native American homeowners. Data indicates that these groups have a disproportionate need by ethnicity. Disproportionate need exists when the percentage of households in a category (homeowners in this case) is at least 10 percentage points higher than the percentage of persons in the category as a whole.
- Owner households earning from 0 to 50 percent of the area median income and paying more than 30 percent of their incomes for housing costs.

**Medium Priority:** If state and federal funds are available, activities to address this need may be funded by the state during the next five-year period. The state will also take other actions to help this group of households to locate other sources of funds.

- Renter and Owner households earning from 51 to 80 percent of area median income and paying more than 30 percent of their incomes for housing costs.

**No Low Priorities:** No activities that could be funded by state or federal funds were considered as low priority. Because households earning more than 80 percent of the area median may not be assisted with state funds due to restrictions on lending of credit imposed by Washington State's constitution, activities that potentially benefit those households were not assigned a priority.

However, housing affordability is an issue for thousands of Washington State residents who earn more than 80 percent of the area median income. State government cannot overlook the impact on these households.

The national standard for describing affordability is that shelter and utilities, excluding telephone, cost no more than 30 percent of a household's gross income. According to the Washington Association of Realtors: "Housing is affordable within a community when the people who work or live in the community can obtain decent, safe housing without undue financial burden and when home ownership is an achievable aspiration for a broad range of households." For the past several years, the costs of rent and home purchase have escalated at a higher rate than income in many counties of the state. The result is that in several counties of the state, affordable housing is unattainable for households earning as much as 120 percent of the area median income. For example, in 1999, the average single-family home purchase price was \$253,160 in King County. The average first-time homebuyer in King County earned only 65 percent of the income needed to purchase a modest starter home. More than 80 percent of the homes for sale in King County in 1999 were beyond the reach of the median household. Median and moderate-income families cannot find housing close to the work place and are forced to live as far as an hour away. Large numbers of professional people working to serve their communities, including teachers, nurses, firefighters and police are unable to afford housing in their community. They are either frustrated by their inability to own, or choose long commutes from communities far from their jobs to attain the American Dream. This situation is adding to the growing problems of sprawl and air pollution in the name of affordable housing ownership.

These are compelling issues that support OCD's commitment to work with other private and public organizations, legislators and congressional representatives to identify sources of funds and to create policy to ease the housing affordability and availability pressures that face households earning over 80 percent of the area median income.

**Priority Needs Summary Table Table 1: (HUD Table 2A)**

<b>PRIORITY HOUSING NEEDS (households)</b>			<b>Priority Need Level High, Medium, Low</b>	<b>Estimated Units</b>	<b>Estimated Dollars to Address</b>
Renter	Small Related	0-30%	H	4770	71,552,000
		31-50%	H	3339	50,087,000
		51-80%	M	1431	21,466,000
	Large Related	0-30%	H	1684	25,254,000
		31-50%	H	1179	17,678,000
		51-80%	M	505	7,576,000
	Elderly	0-30%	H	3087	46,298,000
		31-50%	H	2161	32,409,000
		51-80%	M	926	13,890,000
	All Other	0-30%	H	3928	58,925,000
		31-50%	H	2750	41,248,000
		51-80%	M	1179	17,678,000
Owner		0-30%	H	14,591	218,865,000
		31-50%	H	10,214	153,206,000
		51-80%	M	4,377	65,660,000

- Estimated units and dollars to address housing needs include all state and federal funds the state anticipates to receive for housing and the other public and private funds these dollars leverage.
- Covers time period 2001 through 2005 (five years).
- Base numbers represent the average total project cost and number of units affected in state-assisted housing investments during 1999.
- Estimated dollar amounts are rounded to the nearest hundred thousand.

## **Affordable Housing Strategic Action Plan 2001-2005**

**Goal 1: Provide safe, decent, affordable housing, targeting households earning up to 80 percent of the area median income.**

**Strategy 1: Provide a continuum of housing and services for homeless people and forestall further homelessness through prevention activities.**

**Analysis:** While the state's median income is growing at a rate higher than the national average and the state is experiencing strong rates of overall employment growth, several other factors point to serious problems that continue to face many areas across the state. The state's population is growing at a rapid rate, increasing pressures in the housing market for low-income families. More than 60 percent of renters earning less than 30 percent of the area median income already pay more than half of their incomes for housing. These high housing cost burdens place many families at risk of homelessness. If the breadwinner of the family loses a job or a serious illness occurs, homelessness may result. There are approximately 26,500 people who are homeless on any given day in the state and another 279,200 Washington households are estimated to be at risk of becoming homeless.

Participants at eight of nine community forums identified addressing the problem of homelessness as a priority for their area. Among the sub-populations of people who are homeless, many local communities place a high priority on homeless youth, particularly youth that leave foster care when they are 18. National studies have noted the high incidence of homeless people who had been in foster care as children. Every year, about 350 of the 11,500 children and youth in foster care in Washington State turn 18 and "age out" of the state's child welfare system. Local communities recognize that these young people need support—such as housing, education, and employment—as they make the transition to adulthood.

A number of public and private efforts have been created over the last 10 years to address the problem of homelessness. In some communities there can be a dozen or more separate programs serving some segment of the homeless population. In others there may be only one or two. The situation is made more complex because homelessness can be caused not only by a lack of shelter, but also because of a variety of underlying physical, emotional, or social needs. This means a number of organizations can become involved in addressing the needs of people who are homeless. In recent years, several communities have formed continuum of care planning groups that have brought all the homeless groups together to coordinate services and to maximize resources. This type of comprehensive planning and coordination is needed statewide.

**Obstacles:** There is a lack of sufficient funds to operate and maintain emergency and transitional housing. While there may be capacity to build housing, developers are faced with insufficient revenues to support the costs of operating and maintaining transitional housing. This is due to the fact that residents have extremely low incomes or no incomes and can only afford to pay minimal rents. Operating and maintenance expenses for transitional housing exceed the revenue produced by rents and thus emergency and transitional housing require substantial subsidies.

The funding to address this kind of gap as well as funding to meet service needs of homeless households as identified by Continuum of Care assessment is insufficient. There is a need for more and better coordination among public and private groups that are working to reduce and prevent homelessness. There is a lack of an adequate statewide data collection system to evaluate the impact of services and increased coordination.

<b>Initiatives</b>	
<b>1.1</b>	Seek additional state and federal appropriations for the operation of emergency shelters and transitional housing facilities and services to assist homeless households to reach stability.
<b>1.2</b>	Seek additional state and federal appropriations to increase available resources for transitional housing construction.
<b>1.3</b>	Collaborate with King, Pierce and Snohomish Counties to optimize the success and benefits of the Healthy Families' Initiative spearheaded by the Bill and Melinda Gates Foundation \$40 million donation to provide transitional housing and services for homeless families.
<b>1.4</b>	Target a portion of state HOME Tenant Based Rental Assistance funds to housing youth leaving the foster care system.
<b>1.5</b>	Encourage and support appropriations from local governments for homeless families and families at-risk of becoming homeless.
<b>1.6</b>	Seek funding and support for the development and operation of additional shelter and transitional housing for youth up to age 21.
<b>1.7</b>	Launch a new initiative to link the planning activities and priorities of urban and rural Continuum of Care groups through the Urban-Rural Continuum of Care Committee. This group will coordinate the efforts of the seven urban plans and the state rural plan aimed at establishing an agenda for statewide actions to improve programs and policies affecting all local continuum of care systems.
<b>1.8</b>	Develop a client tracking system to give service providers, local governments, the Legislature and the Governor's office more accurate information regarding use of emergency shelters and outcomes of homeless households receiving services.
<b>1.9</b>	Increase partnering of service providers and housing developers to take maximum advantage of their respective skills.
<b>1.10</b>	Prevent homelessness by preventing evictions due to inability to pay rent, and preventing foreclosure for households unable to make house payments because of circumstances beyond their control (sudden loss of income due to industry downturns, health related crisis, etc.)

<b>Performance Measures 2001:</b>	<b>F</b>	<b>S</b>	<b>O</b>
Provide 1,300,000 bednights of shelter annually.	X	X	
Develop 150 new beds and/or units of emergency, transitional and permanent affordable housing for people who are homeless annually.	X	X	
Provide homelessness prevention assistance for 15,500 households.	X	X	

Implement a statewide client data tracking system for emergency shelter and transitional housing programs over the next five years. Implement and evaluate pilot in 2001.	X	X	
Provide up to \$500,000 in HOME tenant based rental assistance for housing youth leaving foster care in conjunction with DSHS.	X	X	
OCD staff serve on Healthy Families Initiative steering and credit committees		X	X
OCD convene and sponsor meetings to develop urban-rural Continuum of Care		X	X

**Strategy 2: Continue operation and increase the supply of housing along the continuum of housing needs for agricultural workers. This includes seasonally and permanently occupied rental and ownership housing. Increase technical assistance and capacity of housing organizations to develop housing for farmworkers. Encourage a collaborative approach to developing housing for farmworkers among private for-profit, private non-profit and public housing developers.**

**Analysis:** Many Washington counties have economies dominated by agriculture and are experiencing increased employment in agricultural industries. Much of this increase in agricultural employment is related to the expansion of orchard acreage with its corresponding job growth. 40,000 farms statewide provide employment for 161,400 individuals including farmers and their families at some time during the year. This includes year-round and seasonal workers. An important component of this agricultural-dependent economic base is the prevalence of migrant and seasonal agricultural workers and seasonal and geographic fluctuations in numbers of workers employed. According to the Washington State Employment Security Department (ESD), seasonal agricultural employment will vary between a low of 14,210 and a high of 69,330. According to Washington State Department of Health (DOH) estimates, approximately 62,300 migrant farmworkers need housing at approximately 1,000 farms over the course of one year. In 1996, there was a statewide total of licensed on-farm housing for 9,600 workers. Since that time, because of regulatory and financing barriers, growers have reduced the amount of on-farm housing.

In a 1994 report, the Department of Community, Trade and Economic Development (CTED) estimated that during peak harvest seasons, there was a housing need of 57,000 units for migrant and seasonal agricultural workers. Since then, state and federal sources have financed 196 units of agricultural worker housing. Due to the shortage of housing, thousands of agricultural workers live in unhealthy conditions without even minimal housing facilities. Improving farmworker housing conditions and providing safe and affordable housing is critical to the economic well being of the state's agricultural economy. The shortage of housing for agricultural workers impacts the availability of the labor force and can result in the loss of millions of dollars to farmers and the state economy. Currently there is only one state funded development that is designed to provide housing for migrant seasonal workers. Housing that is operated seasonally cannot generate enough revenue to maintain the housing during the months when it is not open. Therefore, it has been difficult and not financially feasible to develop housing that is solely intended for seasonal occupancy.



**Obstacles:** The infrastructure needs and costs in rural areas are staggering. Low wages and the seasonal nature of employment limit the ability of workers to afford housing and it is difficult for housing organizations to operate and maintain housing which is only occupied seasonally due to lack of revenue during a large part of the year. Land use and health regulations have inhibited the development of housing in some areas. Local resistance to developing housing targeted for farmworkers has been a factor in some areas in limiting housing for farmworkers. There is a lack of data and information about numbers of farmworkers and actual need. There is disagreement among those involved about the type of housing needed and inadequate data to indicate need and supply.

<b>Initiatives</b>	
<b>2.1</b>	Maintain the current 10-year commitment of the legislature to invest in farmworker housing and increase it from \$8 to \$10 million each biennium.
<b>2.2</b>	Provide \$1.5 million non-capital funds to assist with operating costs of seasonally occupied farmworker housing. Establish an on-going revenue source to provide funding for operations and maintenance of seasonally occupied farmworker housing.
<b>2.3</b>	OCD in conjunction with the Affordable Housing Advisory Board (AHAB) subcommittee on farmworker housing (representing growers, farmworkers, developers and public agencies), will develop and implement a long-range state strategy for addressing the housing needs of farmworkers in Washington State.
<b>2.4</b>	Continue to award additional points to projects that propose farmworker housing in awarding tax credits.
<b>2.5</b>	Collaborate with local and state agencies and private developers to pursue additional federal funding for farmworker housing including additional section 8 vouchers.
<b>2.6</b>	Continue operation of the One Stop Center, work to increase the funding of infrastructure loans for growers and other successful models for developing farmworker housing by the private sector.
<b>2.7</b>	Conduct a comprehensive study/survey to assess current need and supply for farmworker housing.
<b>2.8</b>	Support increased technical assistance to increase capacity of organizations that develop housing for farmworkers. Encourage collaboration among private for-profit, non-profit and public entities to develop locally supported housing solutions.

<b>Performance Measures 2001:</b>	<b>F</b>	<b>S</b>	<b>O</b>
200 additional units of housing will be created in 2001	X	X	X
The One Stop Center will respond to 45 calls per month from farmers/growers.	X	X	

**Strategy 3: Maintain and ensure continued housing options for persons with special needs including, but not limited to, frail elderly, children in foster care or group care placements and persons with disabilities.**

**Analysis:** A number of sub-populations within Washington State face unique challenges in finding and/or maintaining safe, affordable housing. The rising cost of housing, living on a limited or fixed income, and the need for special health or social services all contribute to the vulnerability of people with special needs. Many communities have a substantial number of frail elderly people (age 85 and over) who have very low incomes. There are approximately 20,600 frail elderly households in the state that have both low incomes and a need for assistance with daily living. Approximately 46,000 Washington residents age 16 through 64 have both a disability that keeps them from working and earn less than 30 percent of the area median income. There is a projected need for 4,500 additional units of supportive housing for persons with a developmental disability in 2001. Approximately 34,000 adults have a severe mental illness and earn less than 80 percent of the area median income. Approximately 70,000 adults are in need of substance abuse treatment and earn less than 80 percent of the area median income. There are roughly 3,939 persons reported with AIDS in Washington State. There is no statewide data available on the number of persons who are HIV positive.

**Obstacles:** There are insufficient funds to operate and maintain special needs housing. While there may be capacity to build housing, developers are often faced with the lack of sufficient revenues to support the costs of operating and maintaining housing. This is due to the fact that residents have extremely low incomes and may pay only 30 percent of their incomes for housing costs. Operating and maintenance expenses for this type of housing exceed the revenue produced by rents. In some jurisdictions, zoning creates a barrier to siting special needs housing. Barriers in zoning codes include dispersion requirements, buffer zones from existing uses such as schools, unreasonable limits on the number of residents allowed in a group care home and restrictions on the operation of the special needs housing.

Initiatives	
3.1	Seek state funding to provide operating support for special needs housing.
3.2	Strengthen the capacity of existing non-profit organizations and housing authorities to develop, own and manage housing for the elderly, persons with disabilities and special needs.
3.3	Encourage and facilitate the expansion of the Home Choice program that provides home ownership opportunities for developmentally disabled households that is administered by the Washington State Housing Finance Commission in conjunction with Fannie Mae.
3.4	Encourage and facilitate partnerships between experienced housing developers, managers and service providers so that experienced personnel are contributing their unique skills and knowledge to the development process.
3.5	Strengthen the partnership with DSHS to coordinate capital and service dollar appropriations to increase the amount of services available to people living in community based special needs housing and to collectively identify and pursue additional sources of operating and service support.

<b>3.6</b>	Work with local jurisdictions to promote the development of special needs housing throughout the community to ensure people with special needs have choice in the location of their homes. Coordination should include the following: Provide public information and education to neighborhoods about the community need for special needs housing; provide public information and education to neighborhoods and local governments concerning the requirements of the federal Fair Housing Act.
<b>3.7</b>	Assist local governments to develop plans and regulations that provide for reasonable siting of necessary group care housing such as incentives to neighborhoods to include special needs housing including incentives for communities to include special needs housing such as reduced sales tax burden, acceleration of regulatory review, inclusionary zoning.
<b>3.8</b>	Maximize the use of HUD Section 202 and 811 programs, Section 8, and Tenant Based Rental Assistance (TBRA) for special needs populations in rural areas. Provide technical assistance to support the preparation of applications in areas that do not have the capacity.
<b>3.9</b>	Strengthen partnerships with local governments and with the private sector to leverage more capital, operating and service dollars for special needs housing.
<b>3.10</b>	Create and strengthen partnerships with community mental health agencies and other agencies working with disabled persons to assist landlords and tenants in understanding their obligations under the Fair Housing Act. Provide a resource for information and strategies for landlords and tenants to reasonably accommodate the disabilities of tenants.

<b>Performance Measures 2001:</b>	<b>F</b>	<b>S</b>	<b>O</b>
Develop or preserve 680 units of special needs housing.	X	X	
Establish a state-funded operating subsidy program for special needs housing within five years.		X	
Increase the number of applications from service providers who have partnered with experienced housing developers.		X	
Develop and disseminate a public information packet for neighborhoods to educate them on special needs housing by December 31, 2001.	X	X	
Identify and publicize incentives that have worked in communities to include special needs housing. Make this information available annually.		X	

#### **Strategy 4: Preserve existing owner-occupied housing stock**

**Analysis:** As the state's housing stock ages, the threat of losing affordable housing increases, especially if low-income households are unable to perform needed maintenance or make helpful energy efficiency improvements. Over 52 percent of the state's housing stock is older than 20 years, which precedes the state's energy building standards. In addition, 37 percent of the stock is older than 30 years. Approximately 398,438 households have incomes less than 51 percent of Area Median Income. Of this total, 153,313 units are owner-occupied homes, of which 57 percent are elderly persons.

Many low-income families pay more than 25 percent of their income for home energy, compared with an average of 3 percent for medium- to high-income households. A recent evaluation of OCD's low-income weatherization program performed by Oak Ridge National Laboratory shows that, on average, energy conservation improvements result in an 18% (electricity) and 30% (gas) reduction in heating energy usage.

Some housing units, especially mobile homes (built prior to 1976) are too substandard to invest limited resources to upgrade adequately, which can result in people remaining in substandard housing or even becoming homeless. Prudent investments in single-family home repair and rehabilitation can prevent the loss of needed affordable housing.

Analysis has also shown that African-American and Hispanic homeowners experience disproportionate housing burdens when compared with all other households within the same income category. Housing burdens include housing units lacking a complete kitchen or plumbing, having more than 1.01 persons per room (overcrowding), or paying more than 30% of income on housing (excess cost burden). While 68% of all households with an income between 0-30% have a housing problem, among African-American and Hispanic households in this income group, 80% and 79% respectively have a housing problem. Data was not available to calculate disproportionate need for other racial/ethnic categories, however, among the 27 Native American tribes, it is generally recognized that safe, decent and affordable housing is a critical need for the thousands of Native American households who live on or near reservations.

Homeowners are also vulnerable to losing their housing when they are unable to make their mortgage payments due to job loss or industry restructuring. As can be seen in counties heavily dependent on natural resource economies such as the timber industry, recent mill closures and slowdowns have created an economic crisis among many families employed in that field. There are other industries that face similar restructuring pressures and dislocated workers can find their housing threatened. Households typically need mortgage assistance for a period of time as they complete their retraining education for other professions. Without this assistance these families would face foreclosure, dislocation and possible homelessness.

**Obstacles:** Inadequate resources, both federal and state, are the greatest barriers to the preservation of existing housing stock through repair, rehabilitation, and energy efficiency improvements. Federal weatherization funding from the Department of Energy was reduced 50 percent in 1996 and has recovered just a small percentage of the loss. The cost of mobile/manufactured home replacement remains high in most areas of the state, including proper disposal of dilapidated units. Mortgage assistance programs need to be expanded to be able to serve all employees affected by a loss of employment due to industry shutdowns or restructuring. Programs should also be able to reach all counties statewide.

Initiatives	
4.1	Preserve single family, owner-occupied units annually using Housing Trust Funds, HOME funds, CDBG funds and Weatherization funds along with leveraged resources to assist households earning up to 80 percent of the area median income.
4.2	Secure additional funds for the Home Repair and Rehabilitation Program (formerly Minor Home Repair Program) that will preserve, in coordination with the weatherization program,

	existing owner-occupied housing with incomes less than 51 percent of AMI. The HRRP, with appropriate funds and as rules allow, will provide: <ul style="list-style-type: none"> <li>Up to \$2,000 for emergency repair;</li> <li>Minor home repair to moderate rehabilitation; or substantial rehabilitation.</li> </ul>
4.3	Develop an assessment by July 2001, of the feasibility to replace mobile homes that are too old and dilapidated to warrant expenditures for repair, which include the identification of needs, barriers, resources, opportunities and options, and recommended policies, as appropriate.
4.4	In situations of relocation from parks that are closing, provide replacement of mobile homes that are too dilapidated to be moved (subject to initiative 4.3 assessment plan).
4.5	Sustain homeownership and prevent foreclosure for households unable to make house payments because of circumstances beyond their control. (Sudden loss of income due to industry downturns, health related crisis, etc.)
4.6	Work with organizations and lenders to develop and provide education to homeowners to prevent them from becoming victims of predatory lending practices

Performance Measures 2001:	F	S	O
Preserve at least 5,000 owner-occupied, single-family dwellings by investing in energy efficiency, health, safety, repairs and rehabilitation improvements.	X	X	X
Provide at least 130 dislocated timber workers and fishers in impacted communities with mortgage assistance to avoid foreclosure.		X	

**Strategy 5: Preserve existing affordable rental housing units threatened with loss of expiring federal affordability requirements or deteriorating conditions.**

**Analysis:** Low-income housing units on the market are threatened due to a variety of conditions. One of the primary issues facing state and local government and affordable housing providers is the expiration of long-term HUD contracts with private property owners. These contracts produced substantial numbers of affordable units in the 1960s and 1970s through the use of rent subsidies and below market financing. Based upon an analysis by BAE using information from HUD and the Washington Low-Income Housing Network, there are approximately 7,659 units at risk of being converted to market rate by 2005. This represents almost one third of the existing HUD assisted inventory. Other subsidized properties may also be at risk of market rate conversions as affordability restrictions expire. These include units funded by USDA and the Low Income Housing Tax Credits. In the case of the tax credit projects, some of the earliest projects developed under these programs may have affordability restrictions that expire over the next five years, although most are likely to become at risk after 2005.

There are 245,125 low-income renters in the state of which, 23 percent are elderly. The condition of many rental housing units requires investments that many landlords cannot meet, especially if the landlord is also low-income. The potential loss of existing housing stock could increase without adequate resources to meet energy efficiency, repair, or rehabilitation needs.

**Obstacles:** Federal policy determines the amount of funds available for vouchers for tenants whose units are lost. Congressional action determines the amount of funds available for incentives for private owners to continue to participate in assisted housing programs. State and local resources are not sufficient to purchase all units that will expire and possibly lose their affordability restrictions.

There are insufficient resources to meet the needs of renters, and landlords are occasionally unwilling to contribute a match to the publicly invested dollar, to agree to a covenant or lien for a deferred loan or to accept conditions of a loan.

<b>Initiatives</b>	
<b>5.1</b>	Make a ten-year commitment to increase Housing Trust Fund resources for low-income housing including targets for preservation with appropriation levels of \$85 million for the 2001-2003 biennium and \$100 million for the 2003-2005 biennium.
<b>5.2</b>	Provide state and federal funds to non-profit housing organizations and housing authorities to purchase and preserve as affordable housing HUD and USDA assisted units that 1) are at risk of conversion to market rate housing and 2) are necessary and appropriate and feasible to meet a community's current affordable housing needs.
<b>5.3</b>	Continue to support a federal match for state and local funds to preserve HUD assisted units.
<b>5.4</b>	Advocate for reinstatement of the federal 1:1 replacement housing requirement during hearings by the U.S. Congress to reauthorize the HOPE 6 program.
<b>5.5</b>	Local housing authorities seeking state funds or support for HOPE 6 projects shall be required to submit a capital finance and resident relocation assistance plan indicating how and where permanent replacement units (not including temporary tenant-based vouchers) will be provided.
<b>5.6</b>	Provide information regarding tenants' rights and owners' responsibilities to owners and managers of federally subsidized housing, to cities and counties and to public housing authorities.
<b>5.7</b>	Collect information required by Washington State law from owners of federally assisted housing projects regarding contract expiration and prepayment of mortgages. Provide this information to interested parties.
<b>5.8</b>	Require borrowers of state funds to continue Section 8 contracts for as long as Congress and HUD make subsidies available, unless doing so jeopardizes project feasibility.
<b>5.9</b>	Continue to urge HUD to use existing programs and implement regulatory changes needed to preserve federally assisted housing.
<b>5.10</b>	Work with public and private funders to provide short and long term financing and other resources to preserve projects at risk of conversion.
<b>5.11</b>	Propose state legislation to reduce property tax for privately owned Section 8 properties to provide an incentive for owners to remain in the program.
<b>5.12</b>	Urge Congress to provide adequate funding to renew all contracts, preferably on a multi-year basis and additional funds to facilitate non-profit and housing authority purchases.
<b>5.13</b>	Continue to work with partners to monitor the portfolio of HUD assisted properties and expand monitoring of USDA-assisted units to identify at-risk buildings.

<b>5.14</b>	Urge Congress and HUD to dedicate the \$5 billion FHA surplus to increased rental housing opportunities rather than return it to the general fund. If used in the HOME program, this could result in 3,500 additional units of housing in the state.
<b>5.15</b>	Working with the WSHFC, OCD will identify the location of projects financed with low-income housing tax credits and, in partnership with local housing agencies and non-profits, develop a strategy to ensure no affordable units are lost due to market rate conversion or demolition.

<b>Performance Measures 2001:</b>	<b>F</b>	<b>S</b>	<b>O</b>
Assist in preservation of 500 units of federally assisted housing	X	X	X

**Strategy 6: Increase the supply of housing affordable to renter households earning up to 80 percent of the area median income, targeting households earning less than 50 percent of the area median income.**

**Analysis:** According to a 1999 update of the 1990 census, there are 211,087 very low-income renter households in Washington State in need of housing assistance because they are considered cost burdened. That means they are earning less than 50 percent of the area median income and paying more than 30 percent of their incomes for housing costs. 55 percent of these cost burdened households are earning less than 30 percent of the AMI. Nearly 120,000 or 57 percent of the households earning less than 50 percent of the AMI are paying more than 50 percent of their incomes for housing costs. These numbers do not include households that are homeless. For households earning between 51 and 80 percent of AMI, 34 percent have need of housing assistance. The lower the income, the less ability a household has to compete in the private housing market. In all of Washington's counties, households earning 50 percent of the AMI or less cannot currently afford HUD established Fair Market Rents.

**Obstacles:** Producing rental housing affordable to the lowest income households requires significant public subsidies. Local capacity for providing subsidies is very limited. The state Housing Trust Fund is consistently over subscribed with requests for funding exceeding funds available by 3 to 4 times. Builders report that there is an inadequate supply of land zoned for rental housing at a cost that would enable them to build affordable units. Costs of permitting and impact fees drive up the costs of housing as well.

<b>Initiatives</b>	
6.1	Make a ten-year commitment to increase housing trust fund resources with target appropriation levels of \$85 million for the 2001-2003 biennium and \$100 million for the 2003-2005 biennium. Establish annual targets for rental units for very low-income households from the Housing Trust Fund.
6.2	Support development and construction of new rental units affordable to households earning less than 80 percent of the Area Median Income by the private for-profit, non-profit and public sectors.

6.3	Support rehabilitation and repair of existing rental units to increase safety and energy efficiency with the result of lowering overall housing costs.
6.4	Work with local governments to streamline building permit review and approval process for affordable housing and thus increase the number of affordable housing units approved by city and county building departments.
6.5	Encourage county planning efforts, which address affordable housing provisions for adequately zoned land and land use incentives for affordable housing.
6.6	Support state enabling legislation providing local governments added revenue sources dedicated to capitalize local housing trust funds; thereby, providing a source of local matching funds for projects seeking state Housing Trust Fund assistance.
6.7	Support an increase in housing's initial share of the (2003) increase in the federal private activity bond cap for tax exempt bonds.
6.8	Support an increase in the per capita tax credit allocation from \$1.25 to \$1.75 effective in 2001 and index for inflation.
6.9	Support local efforts to obtain additional rental assistance vouchers from HUD to avoid net decrease caused by attrition in project based certificates and by possible increased use of vouchers for homeownership activities.
6.10	Encourage high quality publicly and privately owned rental housing that targets a mixture of household incomes (from low income to median income). This includes projects where market rate units generate a surplus that can be used to offset subsidies for units set-aside for households at 80 percent of area median income or below. The desired outcomes of mixed income housing include increasing the number of affordable units than can be produced, projects can more easily support and retire debt, and can result in reduction of concentrations of poverty.
6.11	Facilitate timely reviews of proposed housing developments at county level of Endangered Species Act compliance.
6.12	Support the use of state funds to leverage federal housing resources when possible, such as using TANF surplus funds to support Housing Authorities seeking Welfare to Work vouchers or Family Reunification vouchers.

<b>Performance Measures 2001:</b>	<b>F</b>	<b>S</b>	<b>O</b>
1600 rental units will be developed	X	X	
200 units will be rehabilitated and/or repaired	X	X	

**Strategy 7: Provide and expand homeownership opportunities for households earning between 31 and 80 percent of area median income.**

**Analysis:** Affordability measures often understate the problems of affordability by examining the “average” households’ ability to buy a median priced home. They fail to capture the affordability challenges faced by potential buyers with incomes below the median. Lower income buyers are also most affected by the continued rise in house prices in hotter markets. The Washington Center for Real Estate Research at Washington State University produces a Housing Affordability Index (HAI) for all buyers and one for first time home buyers. If HAI equals 100, the median income household can just afford a median priced house. Over the past five year HAI has fluctuated between 104 and 118 for all buyers. The first-time index measures



the ability of a household earning 70 percent of the area median household income to afford a typical starter home (85 percent of the median price). The HAI for first-time buyers has fluctuated between 60 and 66.

Low and moderate-income households could afford homes in some markets if they were able to pay the down payment and closing costs. Many households in this income range have difficulty saving enough money for these costs as their necessities consume a greater percentage of their gross incomes than those with higher incomes. They are also financially vulnerable as they generally have few savings and could have difficulty making monthly payments if a crisis such as unemployment, injury or extended illness were to occur. Many households also have difficulty qualifying for a regular loan, overcoming poor credit history or managing monthly costs.

Many local jurisdictions' zoning and permitting of manufactured housing continues to be a barrier to affordable homeownership opportunities. According to data gathered by the Washington Manufactured Housing Association, 60 percent of our state's largest cities allow manufactured homes to be sited along side site-built single-family residences while 40 percent do not. In addition, six jurisdictions permit them in subdivisions only. Local jurisdictions' zoning regulations have often not been updated to match the style and construction standards of today's manufactured home.

**Obstacles:** Market forces continue to drive up the selling price of homes in several counties in Washington. It is becoming increasingly difficult for lower income households to find homes for sale in a price range that is affordable to them. Interest rates are beginning to rise. Increasing land and building costs may limit the ability of developers to build homes in a lower price range. Affordability guidelines require deferred loans for households earning less than 80 percent of the area median income to purchase homes. Gap financing for deferred loans is needed to help these households become homeowners. More housing could be created within cities, but cities have generally been unwilling to revise zoning codes to increase density. Predatory lending is occurring most frequently where borrowers use collateral in their homes for debt consolidation or other consumer credit purposes. A loan can be predatory when lenders or brokers charge borrowers excessive, often hidden fees, or balloon payments, successively refinance loans at no benefit to the borrower, make loans without regard to the borrower's ability to repay them or otherwise engage in deception. Predatory lending tends to be concentrated in low-income and minority neighborhoods and in the purchase of manufactured homes from retailers.

Initiatives	
7.1	Make a ten-year commitment to increase Housing Trust Fund resources for low-income housing including targets for homeownership with appropriation levels of \$85 million for the 2001-2003 biennium and \$100 million for the 2003-2005 biennium.
7.2	Provide down payment assistance in partnership with the Washington State Housing Finance Commission, lenders and non-profit organizations to assist first time homebuyers to purchase homes.
7.3	Provide gap financing in the form of deferred loans through nonprofit organizations to assist homebuyers at 31 to 80 percent of the area median income to buy homes.

<b>7.4</b>	Focus resources for homeownership in localities that increase densities consistent with the Growth Management Act.
<b>7.5</b>	Provide support to organizations that offer sweat equity and self-help opportunities to households who earn up to 80 percent of the area median income to reduce the costs of purchasing a home.
<b>7.6</b>	Expand the capacity of homeownership counseling programs in conjunction with the WSHFC to enable additional low and moderate-income households to increase understanding of requirements to qualify to purchase homes.
<b>7.7</b>	Encourage organizations that provide first time homebuyer education programs to educate borrowers on financing and predatory lending practices.
<b>7.8</b>	Encourage a collaborative approach among land trusts across the state. Work with Land Trust Alliance Northwest to facilitate collaboration among land trusts and to provide technical assistance to organizations contemplating creation of land trusts to ensure that there are larger, more viable entities that can work more effectively to preserve land for housing where land costs are rapidly escalating. Research secondary market land trust products.
<b>7.9</b>	Increase resources to fund Individual Development Accounts and increase collaboration with the Office of Trade and Economic Development's Work First Program.
<b>7.10</b>	When appropriate for a community, encourage the conversion of Section 8 rent subsidies to be used by eligible families for home ownership subsidies (toward payment of principal and interest). This should be balanced against any unmet need for rent subsidies.
<b>7.11</b>	<p>Encourage the availability of manufactured housing as a consumer choice.</p> <ul style="list-style-type: none"> <li>• Assist with efforts to eliminate local zoning restrictions that remain in some cities on the placement of manufactured housing in single family neighborhoods. Beginning July 2001, work with the Washington Manufactured Housing Association and local jurisdictions to develop a plan to increase manufactured homes in single-family neighborhoods.</li> <li>• Beginning July 2001, work with stakeholders to develop partnerships and financial support for first-time homeowner and a retailer education campaign.</li> </ul>
<b>7.12</b>	Work to expand and replicate the Homeownership Opportunity Initiative statewide. This initiative is sponsored by the AFL/CIO, Housing Investment Trust and Fannie Mae and is available to members of labor unions, city and port employees. Homebuyers can qualify for reduced interest rates, reduced closing costs and reduced mortgage insurance.
<b>7.13</b>	Work with partners to improve consumer education and disclosures about lending practices.
<b>7.14</b>	Provide technical assistance to Housing Finance Unit contractors and monitor contractors regarding terms and conditions on loans made to homebuyers with the goal of eliminating abusive terms and conditions on sub-prime loans.
<b>7.15</b>	Convene meeting with lenders from both primary and secondary markets to develop new products to increase home ownership opportunities.
<b>7.16</b>	Partner with the WSHFC to review federal initiatives and proposals for increasing home ownership opportunities for feasibility in Washington State. For example, tax credits for lenders to provide low-cost second mortgages to help families with incomes below 80 percent of the area median income.
<b>7.17</b>	Work with Housing Authorities and other subsidized housing providers to prioritize homeowner opportunities for qualifying low income persons currently receiving rental housing assistance. This strategy would move renters with subsidized housing into homeownership opportunities thereby freeing the use of rental subsidy for another low-

	income person.
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Performance Measures 2001:	F	S	O
Assist 130 first time homebuyers with down payments.		X	X
Assist 50 units of housing created by “sweat equity” programs.		X	X
Beginning July 2001, work with the Washington Manufactured Housing Association and local jurisdictions to develop a plan to increase manufactured homes in single-family neighborhoods. (New revenue source required)			X
Work with legislative committees and stakeholders to identify legislative changes available to improve manufactured home purchase packages.			X

### Strategy 8: Preserve manufactured housing communities and enhance their stability

**Analysis:** It is recognized by the legislature, the Affordable Housing Advisory Board, Manufactured Housing Communities of Washington, Mobile Home Owners of America, not-for-profit housing agencies and OCD that manufactured housing communities (also known as mobile home parks) are a viable source of affordable, low-cost home ownership. Approximately 2,800 parks exist in Washington State, providing home ownership for a conservative estimate of 140,000 households. Relationships between park managers, owners and residents can create conflicts and result in calls to OCD’s Office of Manufactured Housing about evictions and park manager difficulties ranging between 200-400 per year. Due to a number of economic and social factors, this affordable source of home ownership continues to be threatened.

**Obstacles:** Lack of adequate financial resources is the largest obstacle to preserving affordable manufactured housing home ownership options. Manufactured housing communities continue to close and the land is sold for higher-income producing ventures. Since 1989, 66 manufactured housing communities have closed, dislocating an estimated 3,300 households. As of August 2000, four communities are in the process of closing, and another 13 are at risk of closing. Homeowners find it difficult to locate another place to live nearby, especially within the same school district and community. The financial burden to homeowners for the costs of relocating will continue to exist. By June 2001, the state administered relocation assistance fund will be expended. No new revenue source for relocation assistance has been identified.

Some communities close because owners are unable to upgrade the septic or sewer and water systems installed when the community was first developed, twenty or more years ago. No financial incentives exist for private developers to build new communities, and the new communities being built are usually not appropriate for the older homes being dislocated. Not-for-profit developers of manufactured housing communities must compete for Housing Trust Fund resources with other types of low-income housing projects. There is no funding for technical assistance for organizing qualified community resident organizations to purchase their parks. While authorized to provide landlord-tenant services to communities in the state, fees to support this activity have not increased since the Office of Manufactured Housing was established in 1989.

Home ownership and community stability is threatened when relationships between community managers and owners and their residents result in conflicts and evictions. There is no required training to manage a manufactured housing community.

<b>Initiatives</b>	
<b>8.1</b>	Provide state financing for purchase of mobile home parks by housing authorities and non-profit organizations by increasing the Housing Trust Fund appropriation level to \$85 million for the 2001-2003 biennium and \$100 million for the 2003-2005 biennium.
<b>8.2</b>	Provide relocation assistance for park residents when their communities close. <ul style="list-style-type: none"> <li>• OCD will request legislation to establish a stable revenue source for relocation assistance.</li> <li>• OCD will work with non-profit organizations and housing authorities to develop a home down payment and/or rental deposit guarantee program to assist residents to replace homes unable to be relocated.</li> </ul>
<b>8.3</b>	Research, analyze, and identify the potential zoning barriers to develop new communities and preserving existing ones. <ul style="list-style-type: none"> <li>• Formulate a report method and create a database to manage data collection.</li> <li>• Work with local governments to collect information about current park zoning.</li> <li>• Work with local governments to remove barriers to placement of manufactured housing communities..</li> <li>• Assist stakeholder efforts to develop legislation that establishes a new manufactured housing community zoning designation.</li> </ul>
<b>8.4</b>	Establish on-site consultation, mediation, problem solving, and referral to enhance long-term housing relationships in manufactured housing communities. <ul style="list-style-type: none"> <li>• Establish support and develop revenue source.</li> <li>• Develop service delivery service partnerships with community owners, local dispute resolution centers and stakeholders</li> </ul>
<b>8.5</b>	Provide a statewide manufactured housing community manager training, certification and technical assistance to enhance the stability of manufactured housing community living. <ul style="list-style-type: none"> <li>• Work with stakeholders to establish agreed upon training model and source of revenue for program by August 2001.</li> <li>• Develop agency-sponsored legislation for manufactured housing community manager training and certification.</li> </ul>

<b>Performance Measures 2001:</b>	<b>F</b>	<b>S</b>	<b>O</b>
Develop and request CTED-sponsored relocation assistance legislation for the 2001 legislative session.			X
Formulate report method and create data base to manage local zoning data collection by July 2001.			X
Provide relocation assistance from existing sources to 30 owners.			X
Develop agency sponsored legislation by September 2001.			X

**Strategy 9: Provide technical support to help communities with limited staff and resources to develop cost-effective and competitive housing projects.**

**Analysis:**

As the affordable housing finance industry becomes more sophisticated and increasingly more complex, communities that cannot afford to hire professional development staff are left behind. The increase in the number of distressed counties to 26 of 39 counties indicates this widening gap and is cited as one of the key paradoxes facing Washington State in this time of relative prosperity. The Housing Trust Fund targets 30 percent of funds to rural areas and 80 percent of HOME funds to non-participating jurisdictions. The data indicates that rural areas may be under-served by creative funding mechanisms such as bond issues and the Low Income Housing Tax Credit even as rural housing needs are expanding, subsidized housing units are at risk, and housing for special populations such as farmworkers has reached crisis proportions. Technical support to communities with limited staff and resources ensures the development of conceptually sound and financially feasible housing projects that can successfully compete for limited financing resources.

**Obstacles:** Rural communities face many obstacles in providing affordable housing including lower median incomes, deteriorating older housing stock, limited water and sewer capacity, limited access to traditional financing, the high cost of new construction, regulatory and environmental challenges, as well as a lack of eligible project sponsors. The provision of technical support is limited by the number of qualified technical assistance providers who are willing to work in distressed and rural areas. Long travel distances are an obstacle.

Initiatives	
9.1	Continue to provide technical assistance to communities through a demand-response program such as the Housing Resource Team.
9.2	Continue funding for the One-Stop Development Center to promote development of farmworker housing.
9.3	Collaborate with technical assistance initiatives such as the HUD-funded TA intermediaries for HOME, CHDO, SHP, Native American projects, and others.
9.4	Expand CHDO Pilot Project to provide operating support and technical assistance to potential nonprofit housing sponsors in distressed and underserved areas.
9.5	Ensure collaboration between technical assistance efforts promoted through lead-based paint, manufactured housing, and growth management initiatives.
9.6	Continue outreach to Native American tribes, farmworker groups, grower associations, and other special needs housing providers through targeted workshops and collaboration with DSHS, WSHFC, and others to plan housing for special needs populations.
9.7	Sponsor regional and statewide workshops and conferences in collaboration with the WSHFC and other appropriate state and local agencies.
9.8	Support collaborative technical assistance strategies that promote creative solutions to rural housing needs, including farmworker housing, housing rehabilitation, affordable homebuyer programs, and others.

<b>Performance Measures 2001:</b>	<b>F</b>	<b>S</b>	<b>O</b>
Provide technical assistance through the Housing Resource Team to 12 projects by December 2001.		X	
Provide 2 targeted workshops.		X	
Co-sponsor annual housing conference with WSHFC.		X	

**Strategy 10: Provide leadership and incentives to developers and lenders to increase opportunities for African-American, Hispanic, and Native American households to become homeowners.**

**Analysis:** The analysis of census data on housing problems for ethnic minorities revealed that African-American and Hispanic homeowners experienced disproportionate housing burdens. Disproportionate burden is defined as when a particular ethnic group has a housing burden that is 10 percentage points higher than the burden for that income category of households as a whole. For example, 68 percent of all households with an income between 0-30 percent experience a housing problem (cost burden or overcrowding). Among African-American and Hispanic homeowners in this income group, 80 percent and 79 percent respectively have a housing problem. The state is also home to 27 Native American tribes, including more than 84,970 who live on or near reservations and who are considered as part of the service population. The state's *Analysis of Impediments to Fair Housing Choice* reported from an analysis of the Home Mortgage Disclosure Act (HMDA) data for 1990-94, the basis for the majority of complaints related to home purchase transactions was race, predominately African American. And even though the data show improved application and loan approval rates for minorities, they are still less likely to apply for loans and more likely to be denied loans than white applicants. At all income levels, African Americans, Native Americans and those of Hispanic origin were denied loans at higher rates than Whites and Asian/Pacific Islanders. Among the issues most frequently mentioned in community testimony given in the spring of 1996, were complaints relating to homeownership. For example, discriminatory application of underwriting standards, higher loan denial rates for minority groups, lending and insurance redlining ability to afford housing.

**Obstacles:** Lack of information for consumers and providers of housing about the protections and requirements of the fair housing laws, lack of resources to find out why minorities do not apply or are turned down for financing, and language and cultural barriers that impede access to home loans for non-English speaking people.

<b>Initiatives</b>	
<b>10.1</b>	Work with lenders to develop general information in multiple languages on the requirements of the home buying process, including how credit is reported, analyzed and other requirements for financing the purchase of a home.
<b>10.2</b>	Work with the Housing Finance Commission and other organizations that provide first time homebuyer education to develop information on the Fair Housing Act to include in educational programs.
<b>10.3</b>	Provide information through annual updates on locations and services of first time homebuyer programs and lenders with special programs for non-English speaking buyers.

<b>Performance Measures 2001:</b>	<b>F</b>	<b>S</b>	<b>O</b>
Publish and disseminate a booklet on the requirements of the home buying process and other requirements for the purchase of a home by December 2001. Publish the information in multiple languages.		X	
Include Fair Housing Act information in all first time homebuyer education programs on a consistent basis.		X	
Publish annually a schedule with location and services of first time homebuyer programs for non-English speaking buyers.		X	

**Strategy 11: Coordinate the Low Income Housing Tax Credit (LIHTC) with development of housing affordable to low income and moderate-income families.**

**Analysis:** The Washington State Housing Finance Commission administers the LIHTC program. The LIHTC is currently the largest federal program to help fund the development and rehabilitation of housing for low-income households. The LIHTC has helped to build over 20,000 affordable housing units for low-income households in Washington State. The Director of OCD or his or her designee is a voting member of the WSHFC. The tax credit allocation plan preferences for rehabilitation of vacant structures and targeting farmworker housing are two examples of the current coordination between OCD and WSHFC. OCD staff and WSHFC staff work closely to share information and evaluate common applications.

**Obstacles:** There are no identified obstacles to coordination. However, inflation has severely reduced the capacity of the LIHTC. A proposed increase from \$1.25 to \$1.75 per capita indexed to inflation would result in an additional \$2.78 million or approximately 500 additional units per year for Washington State.

<b>Initiatives</b>	
<b>11.1</b>	Attend and participate in focus groups convened by WSHFC to discuss revisions to allocation criteria for 2001 LIHTC program. Work to align related allocation criteria for LIHTC with rating criteria for Housing Trust Fund and HOME funds.
<b>11.2</b>	Work with the WSHFC to support an increase of the per capita amount for tax credits from \$1.25 to \$1.75 indexed to inflation.
<b>11.3</b>	The director of OCD or her designee will continue to be a voting member of the WSHFC.
<b>11.4</b>	The WSHFC requires that as a prerequisite for consideration, all applications for WSHFC be consistent with the state or local Consolidated Plan.
<b>11.5</b>	OCD and WSHFC will continue to receive cross training in the guidelines and administration of their respective housing programs.
<b>11.6</b>	OCD will continue to include staff from the WSHFC on teams that review Housing Trust Fund applications to ensure consistency and coordination on jointly funded projects.
<b>11.7</b>	OCD and WSHFC will continue to assure concurrent funding rounds and where feasible coordinate application requirements, including market studies.
<b>11.8</b>	OCD and WSHFC will work to establish shared compliance monitoring of projects with LIHTC and HTF/HOME funds where feasible.

<b>Performance Measures 2001:</b>	<b>F</b>	<b>S</b>	<b>O</b>
Establish shared monitoring plan by July 2001		X	X
Include staff from WSHFC in two Housing Trust Fund application review rounds (Spring and Fall 2001)		X	



## **Goal II: Promote Housing Opportunities that Contribute to the Development of Healthy, Sustainable Communities**

In 1993, the Washington State Legislature passed the Washington Policy Act. (RCW 43.185.B) The Act contains several findings and goals related to affordable housing in the state. These findings apply to housing for all residents of the state and are not limited to low-income households. This goal recognizes the findings and attempts to address the findings and direction provided by the legislature. Among the key findings:

- Housing markets are linked to a healthy economy and contribute to the state's economy.
- Housing must be an integral component of any comprehensive and community development strategy.
- State and local government must work together cooperatively toward the enhancement of increased housing units by reviewing, updating and removing conflicting regulatory language.
- State and local government should work together in developing creative ways to reduce the shortage of housing.

Key objectives of the Act include:

- Strengthen partnerships among all levels of government, and the public and private sectors, including for-profit and nonprofit organizations, in the production and operation of housing to targeted populations including low-income and moderate-income households.
- Encourage financial institutions to increase residential mortgage lending.
- Coordinate housing into comprehensive community and economic development strategies at the state and local level.
- Re-evaluate housing and housing-related programs and policies in order to ensure proper coordination of those programs and policies to meet the housing needs of Washington residents.

The following set of strategies are designed to respond to the direction provided by the legislature and carried out by the Affordable Housing Advisory Board which was created by the same legislation.

**Strategy 1: Create increased homeownership and rental housing opportunities for households earning between 80 and 120 percent of the area median income in areas of rapidly increasing growth or high market areas and households earning up to 100 percent of the area median income in rural and Eastern Washington areas.**

**Analysis:** The ability to purchase a home is a significant component of the America Dream, but is extremely difficult in many parts of Washington. A look at the Housing Affordability Index computed by the Washington Center for Real Estate Research for first time homebuyers, indicates that at the year-end 1999, only in three counties are typical renter households able to afford the median priced starter home in the county. In Jefferson County, San Juan County, along with populous King County, the situation is much more serious. At the end of 1999, the average price for a home in Seattle was \$271,000 which required a family income of over

\$95,000 per year. The median income for a family of four in Seattle was \$65,000. Families in Seattle who earn the median income find that only 25 percent of homes for sale in the city are affordable to them. In King County, the average single-family home purchase price was \$253,160. The average first-time homebuyer in King County earned only 65 percent of the income needed to purchase a modest starter home. More than 80 percent of the homes for sale in King County in 1999, were beyond the reach of the median household. Rental markets have also experienced sharp increases during the 1990's. Today, the average apartment in Seattle rents for \$800 a month and requires a household income of over \$30,000 a year. This means that families earning less than \$14.50 an hour cannot afford it. Large numbers of professional people working to serve their communities, including teachers, nurses, firefighters and police are unable to afford housing in their community. They are either frustrated by their inability to own, or choose long commutes from communities far from their jobs to attain the American Dream. This situation is adding to the growing problems of sprawl and air pollution in the name of affordable housing ownership.

**Obstacles:** Market forces continue to drive up the selling price of homes in several counties in Washington. It is becoming increasingly difficult for households earning average incomes to find homes for sale in a price range that is affordable to them. Increasing land and building costs may limit the ability of developers to build homes in a lower price range. Infrastructure costs are increasing and many existing needs are unmet. More housing could be created within cities but cities have generally been unwilling to revise zoning codes to increase density.

Initiatives	
1.1	Increase Washington State's homeownership rate to national average.
1.2	Work with lenders to provide location efficient mortgages (discounted mortgages for moving to neighborhood with low transportation costs).
1.3	Provide incentives for developers to locate housing near metro stations and transportation centers.
1.4	Increase the percentage of the bond volume cap for housing if there is an overall increase in the volume cap.
1.5	As part of homebuyer education, include more information about other options to purchase homes – HUD 203K loan, borrowing with a co-signer, buying manufactured homes or condominiums.
1.6	Support development of programs which encourage employers to assist employees in acquiring affordable housing near their place of employment through down payment assistance programs, employer assisted housing, pension funds, unions and employee organizations.
1.7	Work to create housing/jobs balance by encouraging jurisdictions to plan for housing units to accommodate employees from new industry.
1.8	Work to develop coordinated statewide investment strategy that includes infrastructure, housing, economic development that is dispersed throughout lesser developed rural areas of the state.
1.9	OCD will partner with the WSHFC to review federal initiatives and proposals for increasing homeownership opportunities for feasibility in Washington State.

<b>1.10</b>	Encourage the availability of manufactured housing as a consumer choice by working to eliminate local zoning restrictions that remain in some cities on the placement of manufactured housing in single family neighborhoods. <ul style="list-style-type: none"> <li>• Work with the Washington Manufactured Housing Association and local jurisdictions to increase manufactured homes in single-family neighborhoods.</li> <li>• Work with stakeholders to develop partnerships and financial support for education campaign.</li> </ul>
<b>1.11</b>	Work to expand and replicate the Homeownership Opportunity Initiative statewide. This initiative is sponsored by the AFL/CIO, Housing Investment Trust and Fannie Mae and is available to members of labor unions, city and port employees. Homebuyers can qualify for reduced interest rates, reduced closing costs and reduced mortgage insurance.
<b>1.12</b>	Convene meeting with lenders from both primary and secondary markets to develop new products to increase homeownership opportunities.
<b>1.13</b>	Bring housing and economic development resources together in planning to ensure that affordable housing is available where economic growth takes place.
<b>1.14</b>	Work with state and federal regulators, examiners, lending officials and secondary marketing analysts to develop new guidelines that would encourage lending on affordable housing. This would include: modifying house to lot size ratios and house to lot value ratios; restructuring rates and terms to encourage purchasing and financing of smaller homes in more dense environments; and creating tiered loan commission strategies that would eliminate the bias towards lending on larger properties by brokers and loan officers.
<b>1.15</b>	Encourage projects that create mixed income housing.
<b>1.16</b>	Create fee and development incentives for developers to build more affordable housing.
<b>1.17</b>	Continue to support projects that are promoting the dispersion of economic growth and development statewide. Examples include: <ul style="list-style-type: none"> <li>• Rural telecommuting</li> <li>• Rural economic development and decentralization of economic growth in the Puget Sound basin</li> <li>• High tech clustering in SW Washington</li> <li>• Skills Gap project</li> <li>• Improving Washington competitive business climate</li> <li>• Pre-permitting business development sites</li> </ul>
<b>1.18</b>	Educate policy makers that housing is a key component of economic development and results in increased jobs, taxes and local revenue.

**Strategy 2: Work with jurisdictions throughout the state to ensure that urban densities and affordable housing goals described in local comprehensive plans are achieved. Establish benchmarks to measure progress.**

**Analysis:** The cost of land and of the permitting process for developments are major factors driving up housing costs particularly in urban areas. One of the responses available is the more efficient use of land based on a higher number of dwelling units per acre. Higher densities result in more efficient use of services and public facilities. Design solutions that result in planning for

coordinated, sequenced investments as a powerful tool in meeting these goals while satisfying the market.

**Obstacles:**

<b>Initiatives</b>	
<b>2.1</b>	Provide incentives for jurisdictions to re-zone for higher densities
<b>2.2</b>	Create a slide show of successful community design stories for public education to educate communities about possibilities.
<b>2.3</b>	Create model ordinances and design guidelines for implementing them.
<b>2.4</b>	Ensure that the housing elements of comprehensive plans clearly describe housing targets, density targets, jobs-housing balance goals and the actions being taken to meet those targets and goals.
<b>2.5</b>	Create a monitoring mechanism and actively monitor housing production and the degree to which affordable housing targets are being met.
<b>2.6</b>	Increase outreach to local jurisdictions to identify income-producing properties on the National Historic Register and encourage the use of the historic tax credit for preservation funding.

## **Goal III: Fair Housing: Affirmatively further fair housing in Washington State.**

### **Strategy 1: Align state housing administrative policies and practices to further fair housing choice.**

**Analysis:** Application forms, contract documents, and the monitoring and technical assistance practices associated with housing programs (CDBG, HOME, ESG, HOPWA and the Housing Trust Fund) are some of the primary vehicles the state has to convey affirmative fair housing policies and requirements. While the CDBG and HOME programs have made inroads to implementing a variety of monitoring and technical assistance approaches, other state housing programs need to adopt similar approaches. Also, divisions of state government responsible for various aspects of fair housing do not routinely share information or coordinate over those activities which effect fair housing choice. While sharing many common goals related to fair housing choice, state agencies have different methods and venues for achievement of their objectives, and hence may fail to recognize opportunities for collaboration about state fair housing activities.

**Obstacles:** Inadequate resources, both federal and state, to dedicate to this activity. Federal funding which currently supports most fair housing activity is not sufficient and is declining.

<b>Initiatives</b>	
<b>1.1</b>	Adopt best practices to further fair housing across all federal and state housing programs (ESG, HOPWA and Housing Trust Fund).
<b>1.2</b>	Strengthen monitoring of contractor compliance to affirmatively further fair housing.
<b>1.3</b>	Form a working group of OCD, DSHS, and the Human Rights Commission to maximize the use of existing programs, to promote fair housing choice, prepare a fair housing plan and oversee implementation of the plan, and monitor progress.

<b>Performance Measures 2001:</b>	<b>F</b>	<b>S</b>	<b>O</b>
Disseminate management handbook to grantees in all Housing Finance Unit programs on how to affirmatively further fair housing by June 2001.	X	X	
Explore ways to strengthen monitoring system to assure contractor compliance with affirmative housing obligations in Housing Finance Unit programs by June 2001.		X	
Work to establish an interagency fair housing workgroup and convene a first meeting by June 30, 2001.		x	

**Strategy 2: Take a pro-active role in helping local governments define acceptable ways to site special needs and affordable housing.**

**Analysis:** To accommodate growth in rapidly growing jurisdictions, the state has implemented the Growth Management Act (GMA), a comprehensive law directing new development primarily into existing urbanized areas where urban services and infrastructure were already in place. Each plan must include a housing element, which is required to describe how housing demand will be accommodated through a variety of housing types and densities and to provide sufficient appropriately zoned land to meet future housing needs for all economic segments of the population. Local zoning in particular has sometimes been a barrier to the siting of residential facilities for people with disabilities. Examples of local practices that create impediments include: (1) imposition of special conditions such as special use permits, (2) adoption of narrow definition of family to exclude single people or groups of single people, and (3) inconsistent definitions for types of group homes or residential facilities within a community, depending on the group to be served.

**Obstacles:** No requirement to maintain equitable distribution of special needs housing within jurisdictions, lack of public will to site special needs and affordable housing projects, lack of incentives to adopt innovative zoning techniques.

Initiatives	
2.1	Assist local governments to develop plans and regulations that provide for reasonable siting of necessary group care housing such as incentives to neighborhoods to include special needs housing including incentives for communities to include special needs housing such as reduced sales tax burden, TDR benefits, acceleration of regulatory review and inclusionary zoning.
2.2	Provide incentives and penalties for local government achievement of special needs and affordable housing goals as reflected in their Growth Management Plan.

**Strategy 3: Provide training to state agencies, local government, and housing service providers in fair housing laws with special emphasis on laws requiring reasonable accomodation for people with disabilities.**

**Analysis:** The U.S. Census Bureau estimated that approximately 797,000 Washington State residents had at least one disability and were 16 years old or older in 1990. This estimate includes frail elderly persons, persons with mental illness, persons with developmental disabilities, and persons with physical disabilities. Disabled persons often have barriers to quality employment opportunities and conventional housing. In addition, they often need accessible housing units and may require on-site services for basic care. HUD housing complaint data from 1994-1995, indicated that the third most frequent basis for complaint were complaints based on disabled status. Familial status and race were each involved in over 35% of complaints and discrimination due to disability was alleged in 25% of the complaints.

**Obstacles:** Limited resources for training.

<b>Initiatives</b>	
<b>3.1</b>	Provide periodic training for state agency housing and community development staff on Americans with Disability Act (ADA) so they can recognize application of the law and provide appropriate referrals.
<b>3.2</b>	Provide periodic training for nonprofit and other housing groups in the provisions and application of the ADA.

<b>Performance Measures 2001:</b>	<b>F</b>	<b>S</b>	<b>O</b>
Two training sessions on the ADA for state agency staff and housing contractors will be held by December 2001.		X	

**Strategy 4: Work with landlords to accept Section 8 vouchers.**

**Analysis:** Groups serving low income people find that renters are sometimes turned away because they receive Section 8 rental subsidy, public assistance, disability income, social security, emergency assistance, or some other source of income judged by the landlord to be unacceptable. They also find that tenants are turned away because of the amount of income. This is not regulated by fair housing laws. Participants in the fair housing forums held in the spring of 1996, cited this as one of their highest concerns.

**Obstacles:** Lack of enforcement power to require landlords to accept Section 8 vouchers and lack of support to pursue changes in state fair housing laws.

<b>Initiatives</b>	
<b>4.1</b>	Support programs where Section 8 participants can call on a case manager who will help mediate any problems that may arise with the landlord or rental situation. This “back-up” may convince landlords to rent to Section 8 clients because they know help will be available if any tenancy issues arise.
<b>4.2</b>	Break down negative attitudes relating to Section 8 and other rental assistance programs by providing outreach and education to realtor groups and property management firms.

<b>Performance Measures 2001:</b>	<b>F</b>	<b>S</b>	<b>O</b>
Make housing presentations to major statewide realtors groups by December 2001.		X	
Include fair housing topics in most or all state sponsored housing conferences or forums on an annual basis.		X	

**Strategy 5: Work with lending community to reduce the incidence of abusive lending or predatory lending in low-income and minority neighborhoods.**

**Analysis:** Sub-prime lending involves providing credit to borrowers with past credit problems, often at a higher cost or on less favorable terms than loans available in the conventional prime market. In some cases, sub-prime lenders engage in the abusive lending practice known as predatory lending which hits homebuyers with excessive mortgage fees, interest rates, penalties and insurance charges that raise the cost of buying a home by thousands of dollars for individual families. A study by HUD using data provided under the Home Mortgage Disclosure Act (HMDA) indicates a disproportionate concentration of this type of lending in the nation's minority and low-income neighborhoods.

**Obstacles:** There is no current regulation to limit this practice.

Initiatives	
5.1	Meet with lenders and organizations that assist homebuyers to identify ways of reducing predatory lending practices.
5.2	Provide education on financing to homebuyers to prevent incidents of predatory lending.

Performance Measures 2001:	F	S	O
Meet with lenders and housing providers to identify ways to limit predatory lending practices.		X	X



## Goal IV: Remove or mitigate negative effects of policies that serve as barriers to affordable housing.

**Strategy 1: Work with local jurisdictions to change zoning to (a) allow placement of manufactured housing in all single-family neighborhoods and (b) increase opportunities for preservation and establishment of manufactured housing communities.**

**Analysis:** Manufactured Housing is a more affordable type of housing for low and moderate-income families. Manufactured housing is built to conform to a HUD building code. Siting and installation of homes is regulated by local jurisdictions. Most counties and cities recognize that manufactured homes meet similar construction and safety standards as site built homes. However, 40 percent of Washington cities continue to prohibit the siting of manufactured homes. This restricts affordability and limits opportunities for residents of those jurisdictions to become homeowners.

**Obstacles:** Continued opposition by local jurisdictions to siting manufactured homes within their jurisdictions.

Initiatives	
1.1	Work to establish by state law, under appropriate conditions and standards, manufactured housing as a permitted dwelling unit under local zoning and prohibit local communities from enacting ordinances forbidding manufactured housing.
1.2	Assist with efforts to eliminate local zoning restrictions that remain in some cities on the placement of manufactured housing in single family neighborhoods.

Performance Measures 2001:	F	S	O
Beginning July 2001, work with the Washington Manufactured Housing Association and local jurisdictions to develop a plan to increase manufactured homes in single-family neighborhoods.			X

**Strategy 2: Support local efforts to streamline building permit review and approval processes to reduce time required to process in order to minimize development time and costs associated with project review and permitting.**

**Analysis:** Slow and delayed permit processes in many jurisdictions add time and cost to construction and rehabilitation of housing.

**Obstacles:** Permitting processes are regulated by local jurisdictions and as such state government does not have the authority to regulate them.

Initiatives	
2.1	Assist local jurisdictions to pre-permit sites to make them housing ready.
2.2	Urge local governments to provide opportunities for early cooperative interaction between developers, local governments and interested citizens so specific code issues can be addressed before projects are initiated.
2.3	Work with local governments to adjust permit fees and fee collection processes to enhance affordability of housing for low and moderate-income households.
2.4	Work with local governments to expand outsourcing of code review processes when back-ups occur and to use management techniques to enhance predictability, coordination and certainty to the permitting process.
2.5	Work with local governments to assure emphasis on consistency, fairness, and transparency of both code review and subdivision (infrastructure) development processes.

**Strategy 3: Partner with federal and local governments to implement Endangered Species Act (ESA) standards and to expedite review and approval process.**

**Analysis:** All Washington State projects that are authorized by a federal agency, receive funding or require a federal permit are required under Section 7 of the Endangered Species Act to evaluate the impacts (if any) of a proposed project or action on listed species. Because OCD is a pass through agency for the federal department of Housing and Urban Development funding, projects funded by OCD using federal dollars are subject to Section 7 requirements.

**Obstacles:** Lack of coordination with local jurisdictions. Lack of agreed upon checklists between HUD and the National Marine Fisheries Service.

Initiatives	
3.1	Work with affected local jurisdictions to coordinate checklists for determination of project effects.
3.2	Work with local jurisdictions and housing developers to identify and encourage project development in areas that are likely to result in a “no effects” to endangered species determination.

Performance Measures 2001:	F	S	O
Collaborate with HOME participating jurisdictions to develop a checklist for non-participating jurisdictions.	X		

**Strategy 4: Allow any degree of renovation to existing housing.**

**Analysis:** Existing rentals and owner occupied housing are critical pieces of the affordable housing stock. Many older units are in need of renovation in order to preserve them. Building codes are often interpreted in such a manner that renovations beyond a fixed percentage of

property value or repairs that significantly extend the useful life of the structure require bringing the entire building up to code. This involves such high costs that it encourages demolition and new construction at an even higher cost.

**Obstacles:** The uniform building code states that only the portion of a building being altered or repaired needs to meet the building code. However, cities and counties have enforcement authority including authority to amend administrative portions of the code. Thus these jurisdictions may establish through local policy, thresholds at which an entire building is considered “new”. This local policy discretion can result in much higher costs for renovating existing units.

<b>Initiatives</b>	
<b>4.1</b>	Work with local jurisdictions to allow any degree of renovation that is consistent with safety, short of compliance with the full code.
<b>4.2</b>	Work with local jurisdictions to establish administrative policies that require only areas that are renovated to be brought up to code.
<b>4.3</b>	Convene an advisory group to evaluate how and under what circumstances the building code can be relaxed in order to address housing affordability including conversion, reuse of existing structures.

## Goal V: Enhance Coordination

<b>Strategy 1: Enhance coordination between public and assisted housing providers and private and governmental health, mental health, and service agencies.</b>
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**Analysis:** OCD works closely with local governments, federal and state agencies, public housing authorities, private for-profit and non-profit organizations to accomplish its goal to create safe, decent and affordable housing for Washington's families. Opportunities for collaboration have increased over the years as resources for housing and services have increased and become more diverse.

**Obstacles:** Different federal and state rules governing agencies and program activities, different funding time frames and frequent staff changes in agencies and organizations.

Initiatives	
1.1	OCD will develop a plan for homeless families with children in coordination with the Department of Social and Health Services (DSHS). The plan will be submitted to the legislature on December 2000 and every other year thereafter.
1.2	OCD will work with DSHS to identify a funding source to provide operating and maintenance support for projects for people with developmental disabilities developed using Housing Trust Fund resources. Agencies will submit budget requests to legislature.
1.3	OCD and DSHS will collaborate to obtain updated and accurate information about housing and services needs of special needs populations including homeless families, people with developmental disabilities, chronically mentally ill people and people with alcohol and substance abuse problems.
1.4	OCD and DSHS will work together with local jurisdictions to address and overcome siting issues for special needs housing including dependent children and juvenile offenders.
1.5	OCD will work with the state Department of Health, the state Department of Agriculture, the Department of Labor and Industries, the State Office of the Superintendent of Public Instruction and the Employment Security Department to coordinate housing and services for migrant farmworkers.
1.6	OCD will work with DOH and L&I to establish state policies regarding lead based paint hazard mitigation.
1.7	OCD will work with L&I to coordinate the enforcement of manufactured housing installation, construction and safety standards.
1.8	OCD will work with the Department of Financial Institutions to identify strategies to increase financing options for first time homebuyers in Washington State.
1.9	OCD will work with public housing authorities to ensure PHA 5 year plans are consistent with the state's Consolidated Plan.
1.10	OCD and DSHS will coordinate with public housing authorities to secure additional federal rental assistance vouchers for households who are moving from welfare to work.
1.11	OCD will require that all projects requesting state or federal funding for housing for homeless people or people who are chronically mentally ill have approval of local

	Regional Support Network or Continuum of Care committee.
<b>1.12</b>	OCD will work with DOH to coordinate HOPWA housing and services to local AIDS networks.
<b>1.13</b>	Coordination between state and units of local government in implementation of plan.
<b>1.14</b>	Coordinate with local governments, other public funders to evaluate proposals, blend funds, monitor for compliance on shared projects.
<b>1.15</b>	Coordinate with local governments on environmental checklists including a checklist related to the Endangered Species Act.
<b>1.16</b>	Coordinate with Impact Capital, Federal Home Loan Bank, WCRA and other lending institutions to provide resources to enhance and increase the creation of affordable housing.

## Lead Based Paint Plan

**Analysis:** According to a CTED study, there are approximately 728,000 low-income households earning below 80 percent of the area median income that occupy the estimated 1.14 million housing units with lead-based paint (homes built pre-1978). The Washington State Department of Health reports that there are approximately 310,000 children under the age of seven living in older housing units that potentially contain lead-based paint, and an estimated 24,000 of these children have elevated blood lead levels due to lead paint poisoning. People can become poisoned by breathing or swallowing lead dust generated from deteriorating, ill-maintained paint or from paint removal during renovation, or by eating soil or paint chips with lead in them. Elevated blood levels in children living in this housing can cause damage to the brain and nervous system, behavior and learning problems, slowed growth, headaches, and hearing problems. Adults can experience reproductive problems, high blood pressure, digestive problems, nerve disorders, memory and concentration problems, and muscle and joint pain.

To address this lead-based paint problem in housing, Congress first passed the Lead-Based Paint Poisoning Prevention Act of 1971. This Act was amended by the Residential Lead-Based Paint Hazard Reduction Act of 1992, also known as Title X. Title X amended the Environmental Protection Agency's (EPA) Toxic Substances Control Act (TSCA) giving us the Pre-Renovation Lead Information Rule (Section 406 (b)). To be in compliance with this rule (effective June 1, 1999), OCD contractors performing housing renovations are distributing a lead-based paint pamphlet to owners and occupants of pre-1978 residential housing.

Also, Title X amended the TSCA requiring as of March 1, 2000 that employees and firms performing lead-based paint activities in target housing be trained and certified by accredited EPA trainers for Lead-Based Paint Inspector, Risk Assessor, Lead Abatement Supervisor, Lead Abatement Worker and Project Designer. This training is for activities that lead to abatement in pre-1978 housing, except housing for the elderly or persons with disabilities where no child age 6 years or under resides or will reside, and includes the use of work practice standards for lead abatement activities.

In addition, the U.S. Department of Housing and Urban Development (HUD) has issued regulations requiring notification, evaluation and reduction of lead-based paint hazards in housing receiving federal assistance (including rehabilitation and tenant-based rental assistance), which will go into effect on September 15, 2000. HUD has developed a transition plan to help states and housing service providers implement the new rule. The requirements apply to housing built before 1978, the year lead-based paint was banned nationwide for consumer use, and require an expanded use of EPA's framework of trained and certified lead-based-paint professionals. The EPA is expected to issue draft rules on Renovation and Remodeling by January 2001, final rules on Identification of Lead-Based Paint Hazards by December 2000, and Lead Debris Disposal by an undetermined date. These rules could further affect the Weatherization Program.

**Obstacles:** Twenty-two community action agencies and housing authorities responding to an OCD survey on putting lead-based paint rules into practice, reported that lack of staff and

subcontractor training, EPA certification, and equipment are obstacles to their compliance with the new HUD regulation. They also lack housing funds to do the lead hazard reduction work.

**Strategy:** Evaluate and reduce, as well as educate residents and workers about, lead-based paint hazards in housing receiving state and federal assistance.

<b>Initiatives</b>	
<b>1</b>	Seek from HUD a waiver from the September 15, 2000 lead-based paint rule implementation and funding for training and lead hazard reduction activities. If HUD approves the waiver and funding, OCD will implement a six-month transition plan to achieve full compliance statewide by March 15, 2001.
<b>2</b>	Provide input on lead-based paint draft rules being developed by the EPA that will apply to OCD's weatherization program.
<b>3</b>	Assess by March 15, 2001 the adequacy of EPA certified inspectors, assessors, and abatement supervisors and workers throughout the state. A revised action plan, if needed, will be developed to fill any gaps identified. An additional six-month waiver may be requested from HUD.
<b>4</b>	Coordinate the development of comprehensive policies and procedures on lead-based paint by January 20001 that will be incorporated into OCD's housing programs that receive federal funding, including safe work practices, lead hazard reduction, education requirements, inspection and monitoring standards by the contractor and OCD.
<b>5</b>	Seek additional funding from state and federal resources to increase the number of trained and certified lead-based paint professionals working as local agency contractors and to increase the number of units mitigated to reduce the numbers of children and adults at risk.
<b>6</b>	Educate housing authorities and other non-profit agencies on how to identify and reduce the hazard of lead based paint in properties built before 1978, with priority on properties where children are at risk. Landlords of subsidized rental properties, including Section 8 and TBRA units, need special focus to prevent frustration with federal rules and lack of funds, which could result in loss of subsidized units.
<b>7</b>	Ensure that contractors meet the requirements to educate residents, including the health dangers of lead-based paint and the value of screening of children for elevated blood-lead levels.
<b>8</b>	Provide technical assistance and training to its contractors to assess and mitigate lead-based paint hazards in projects. With available resources, OCD will schedule two EPA accredited Lead Abatement Worker classes for weatherization and HOME repair/rehabilitation contractors prior to January 2001.
<b>9</b>	Prioritize pre-1978 units with children age six years or younger living in them for monitoring by the TBRA and HOPWA programs. For each contractor monitored, OCD will monitor twenty-five percent of the units with children age six years or younger living in them.
<b>10</b>	Monitor twenty-five percent of the pre-1978 low-income housing units where contractors have performed moderate rehabilitation. For substantial rehabilitation performed with HOME funds, all projects will receive a Phase I closeout within 90 days of completion and compliance with the HUD lead-based paint regulations will be verified.
<b>11</b>	Update data reporting systems to track lead-based paint activities and demographics by July 2001.

<b>Performance Measures 2001:</b>	<b>F</b>	<b>S</b>	<b>O</b>
Conduct four lead-based paint classes, including inspector, risk assessor, lead abatement supervisor and worker	X	X	X
OCD monitoring of contractor project files will show ninety-five percent compliance with education standards.	X	X	X
Number of units receiving lead-based paint education.	X		X
Number of units receiving lead-based paint hazard reduction activity.	X		X



## **Antipoverty Strategy**

### **Poverty in Washington State**

According to 1990 Census data, almost 11 percent of the state's population, 530,469 people, were living in poverty--lower than the national rate of 13.5 percent. Forecasts from the Office of Financial Management project that the poverty rate will drop to about nine percent by the year 2000. As for children living in poverty, Washington's child poverty rate fell from 15 percent in 1993 to 11.1 percent in 1998, a 26.4 percent decline<sup>1</sup>. During the same period, welfare caseloads dropped by 38 percent. These numbers attest to the strong economic growth that has occurred in Washington in recent years, as well as the success of the state's investments under welfare reform.

According to the *1999 Development Report Card for the States*, published by the nonprofit Corporation for Enterprise Development (CFED), Washington's economy is one of the best in the nation, in terms of both current performance and future potential. A high level of business and job creation has contributed to the state's strong economic growth and is expected to continue. But the picture is not entirely bright.

Washington also had the nation's highest rate of business closings in 1999—largely the result of new larger businesses moving in. In addition, economic growth has been geographically uneven. While the average annual pay was ranked among the best in the nation, the income gap between rural and urban residents was one of the worst, ranked 49th. Many of the jobs created in recent years have either been low-wage jobs or in industries with relatively high post-secondary training requirements. Consequently, many workers with families, or those without post-secondary training, have not been able to benefit fully from the improving economy. Although there are other factors at play, it appears that the state's economic growth may have increased prosperity for some, but has also contributed to a growth in poverty for others.

While the overall number of people in poverty in Washington may be decreasing, it seems that the remaining poor may be getting poorer. Although welfare caseloads have decreased dramatically, those that remain typically face multiple barriers to finding and retaining employment. Of further concern is the fact that, under welfare reform, families are limited to 60 months of assistance (food stamps and medical benefits may continue longer). The effects of this time limit will begin to be felt in August 2002 as families begin to exhaust their benefits. Helping these families break out of the cycle of poverty will require comprehensive and coordinated services.

#### **Existing Anti-Poverty Programs and Policies**

WorkFirst, Washington's welfare reform program, began in 1997. It is jointly administered by four state agencies: Department of Social and Health Services; the Employment Security Department; State Board for Community and Technical Colleges; and the Department of

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<sup>1</sup> National Center for Children in Poverty, August 2000

Community, Trade and Economic Development. The WorkFirst program requires parents receiving Temporary Assistance for Needy Families (TANF) to seek, prepare for and accept employment. Families receive support through employment services, job training, and help with childcare, transportation, clothing and other work-related costs. The vast majority of families receiving TANF are single mothers with children.

Since 1997, welfare caseloads in Washington have declined by 43 percent, and WorkFirst has helped more than 100,000 welfare recipients become employed. The state has cut the cost of welfare grants by half, saving \$250 million per year. Those savings are being reinvested into services working families need most to stay employed and get ahead. Specifically, Washington has tripled the funds available to help struggling families afford childcare, and increased funds for job training and tuition assistance by 80 percent.

In addition to WorkFirst, there are a number of other anti-poverty programs that provide support services to low-income families, including emergency food assistance, early education and childcare programs, energy assistance, and a variety of housing programs. The extent to which these services are coordinated with each other or with WorkFirst programs varies from one program to another.

Some of the greatest barriers that low-income families continue to face in finding and retaining employment are transportation, particularly in rural areas; lack of childcare, especially for people that work nights and weekends; and affordable housing. Other challenges include job readiness and the ability to find jobs that offer career ladders.

In order to overcome poverty, it takes more than just a job. Low-income families need jobs that provide a living wage and opportunities to move up in the world. It is essential that, in addition to income, they are able to obtain the skills, support services, and assets that will enable them to advance economically.

### **The Role of Housing in Reducing Poverty**

Housing stability is an important factor in the success of low-income families as they attempt to transition from welfare to self-sufficiency. It is difficult for people to find and retain employment, or to succeed in school, when they don't know where they will be living from one month to the next, or if they are living in unsafe conditions. A recent report issued by the Center on Budget and Policy Priorities, *The Value of Housing Subsidies to Welfare Reform Efforts*, indicates that "welfare reform was found to have a larger effect on employment and earnings among families receiving housing subsidies than among other families in the study." While some of the study results are still preliminary, the findings suggest "that housing subsidies may be useful in helping families make the transition from welfare to work.." The report identifies three factors that help to explain these findings:

- By making housing more affordable, housing subsidies may help to stabilize the lives of low-income families and thereby improve their ability to secure and retain jobs.

- By reducing housing costs, housing subsidies can free up funds within the budgets of low-income families for work-related expenses, such as childcare, work clothes, and transportation.
- Housing subsidies can help families move to areas with greater job opportunities.

Studies have also found that children's health is impacted. Children living in substandard housing are more likely to suffer from asthma, respiratory disease, lead poisoning, and other health problems related to their housing conditions. They are also more likely to be malnourished. A parent that frequently misses work due to children's illness has a difficult time retaining a job. Housing assistance can also remove victims of domestic violence from dangerous living situations that impact their ability to find or retain employment.

Through homeownership assistance, low-income families attain an asset that will enable them to advance even further towards economic self-sufficiency. Homeownership provides stability, instills pride, and increases self-esteem. Homeowners are more likely to maintain their homes and get involved in communities, resulting in improved neighborhoods and communities.

## Strategies to reduce the number of families in poverty

**Strategy 1: Coordinate housing, support services, and WorkFirst activities so that they have a larger impact on poverty.**

Initiatives	
<b>1.1</b>	Improve the integration of support services into housing development projects.
<b>1.2</b>	Link WorkFirst Local Area Planning and HUD Continuum of Care planning so that housing and services for homeless families with children are coordinated.
<b>1.3</b>	Encourage the participation of public housing authorities in WorkFirst Local Area Planning partnerships, including activities such as case staffing, coordinating responses for clients/renters in sanction, using PHA facilities as learning centers for job readiness, and providing housing-based employment.
<b>1.4</b>	Promote the use of public housing facilities as learning centers for job readiness and to provide housing-based employment opportunities.
<b>1.5</b>	Provide technical assistance to Local Area Planning groups that have significant housing barriers so that communities can access Housing Trust Fund and other housing resources.
<b>1.6</b>	Involve housing providers in the development of strategies for addressing TANF time limit issues and policies for hardship extensions.
<b>1.7</b>	Link Community Jobs and other subsidized employment work experiences to nonprofit housing organizations.
<b>1.8</b>	Provide incentives for employer-assisted housing for low-income workers.

**Strategy 2: Increase access to education and employment for low-income families.**

Initiatives	
2.1	Prioritize projects that provide employment opportunities for low-income families.
2.2	Support local efforts to attract employers that will provide career ladders for low-income families.
2.3	Provide funding for services that support the continued employment of low-income persons, including transportation, childcare and other support services.
2.4	Provide funding for job training and counseling services, particularly for those that are hardest to employ.
2.5	Provide funding for nonprofit business enterprises that will provide training and employment for the hardest to employ.

**Strategy 3: Promote the economic advancement of low-income families.**

Initiatives	
3.1	Provide funding for individual development accounts to help low-income families acquire assets, including education, microenterprise, and homeownership.
3.2	Provide mortgage assistance to help low-income families move from federally assisted housing to their own home.
3.3	Provide training and capital to establish, stabilize, and expand small businesses.
3.4	Provide funding for economic literacy training to teach low-income families how to manage their personal finances.

**Strategy 4: Improve coordination with the WorkFirst and WorkSource programs.**

Initiatives	
4.1	Develop a coordinated job creation and retention strategy for rural areas of the state.
4.2	Identify gaps in workforce development services for low-income persons and develop strategies to address them.
4.3	Prioritize projects that address locally identified gaps in the workforce development system.

## **NON-HOUSING COMMUNITY DEVELOPMENT STRATEGIES**

## **Non-Housing Community Development Strategies**

This section of the Consolidated Plan describes the non-housing strategies and initiatives for the Community Development Block Grant Program (CDBG). The CDBG Program is administered by the Washington State Office of Community Development. HUD's requirements for the development of the Consolidated Plan dictate that housing and non-housing strategies are presented separately. The CDBG program is nonetheless operated in a manner that respects the holistic nature of community development, wherein the fabric of a healthy community consists of housing, infrastructure, community services and an economic base. Each of these elements is critically important.

### **Program Mission**

The mission of the Community Development Block Grant Program is to improve the economic, social and physical environment of eligible cities and counties in ways that enhance the quality of life for low and moderate-income residents.

### **Funding Priorities**

CDBG staff members use three levels of criteria to determine whether or not a grant will be made to a local government for a proposed project. First, staff determine if a project is an eligible activity according to the federal statutory requirement and meets one of the required "national objectives" that govern the use of CDBG dollars in order to be considered for funding. Second, staff review the proposed project to determine whether or not it meets the conditions for funding that have been established by state program policy. Based upon experience, these conditions have proven to be indicators of a successful project. Third, staff determine how a project fits the overall program's priorities as established by rating and review processes that are specific to each of the state's separate CDBG grant funds. The criteria for each level of review are:

#### **National Objectives:**

To be funded, an eligible project must meet at least one of the following three federal (HUD) requirements:

1. Principally benefit persons with low and moderate income;
2. Prevent or eliminate slums or blight; or
3. Address an urgent community development need, which poses a serious and immediate threat to health and safety.

#### **Community Development Block Grant Program Conditions for Funding:**

According to program policy, funds are awarded for eligible projects that meet the following conditions:

1. There is strong support and agreement for the project at the local level.
2. The project has been clearly identified as a local priority.
3. The citizens, local government, and appropriate regulatory agencies have identified and agreed to a feasible technical solution to the problem or opportunity being addressed.

### **CDBG Program Funding Priorities:**

In order to be funded a project must rank high in comparison to other similar projects on a state and local level using the following priorities:

1. The project addresses a public health and safety issue; or
2. It improves essential services to low and moderate income individuals; or
3. It completes a necessary step in a broader community development strategy.

### **Goals, Initiatives and Performance Measures**

There are five general activity areas that are eligible to receive CDBG resources: Community Facilities, Economic Development, Public Facilities, Public Services, and Technical Assistance. Each of these five activity areas is described briefly below, followed by the associated proposed goals, initiatives, and performance measures for the 2001 Consolidated Plan.

#### **Community Facilities**

Community facilities include community centers, senior centers, day care centers, convalescent homes, hospitals, nursing homes & shelters or other housing for battered spouses, the mentally handicapped, runaway children, the homeless, drug offenders/ parolees, and disaster victims.

By expanding the use and number of facilities for existing and new social service programs, we will be improving the opportunities for low-income persons to meet their essential needs.

**Goal: To assist communities to identify and fill the need for facilities that provide daycare, health care, youth recreation, senior service programs and nutrition education opportunities for their residents.**

#### **Initiatives:**

Market CDBG funds to communities to support their efforts to acquire, plan for, design, construct, or rehabilitate community centers that serve low-income youth, elderly, or other low-income groups with special needs.

Give special attention to communities that have been identified as having high risk factors by the Superintendent of Public Instructions "Survey of Adolescent Behaviors" and the Department of Social and Health Services' "Risk and Protection Profile."

Provide technical support and CDBG funds for the expansion of Early Childhood Education and Head Start Programs, and link resources whenever available.

Provide communities with the technical assistance and support needed to plan for, and link up with, other resources to provide the structures to house programs benefiting the low-income population of the state.

## **2001 Performance Measures**

- Provide resources to construct five Community Facilities in communities that have high level risk factors for substance abuse & youth violence or are otherwise facing chronic needs of low-income protected groups, such as youth, seniors, or children in poverty.
- Assist three communities to enhance or develop childcare programs to assist children or families in poverty.
- Assist three communities to plan for the construction or enhancement of community facilities as part of their overall community development activities.

## **Economic Development**

As noted in Washington's *Strategic Framework for Economic Vitality*, "...we cannot assume the future success of the business enterprises that generate jobs for Washingtonians." The *Framework* goes on to identify current signs of stress in the state economy, focusing in particular on growing gaps between urban and rural, rich and poor. The report calls for a deliberate strategy of public and private action to ensure a balanced and sustainable statewide economy.

According to the Corporation for Enterprise Development, a national research group, Washington ranked below all other states in the gap between the economic well being of urban and rural areas. Twenty-seven of the thirty-three non-entitlement counties have unemployment rates more than 20 percent above the state average.

In the recently completed County Need Profiles, community action agencies in twenty-four of the thirty-three non-entitlement counties cited employment, higher-paying jobs, or economic development as one of their top three priorities. Although financing of businesses did not emerge as one of the top priorities, 59% of survey respondents said that job creation and retention were unmet needs in their communities - the second highest response for non-housing needs.

For economic development, block grant monies have historically been used to support infrastructure for business recruitment and expansion, to study the feasibility of revitalizing a community, and to capitalize revolving loan funds that make business loans within rural communities.

Financing to start, retain, expand and attract business is a major way of meeting these economic needs. Loans to business are the current primary use of community development block grant funds for economic development. Three types of block grant lending instruments used in Washington are: float loans, loans from the Rural Washington Loan Fund (RWLF), and HUD 108 loans. They comprise the vast majority of monies lent to businesses by the state in the last 10 years and their focus is almost entirely on firms in rural communities.

From 1986 to July 2000, Washington State has used block grant monies to fund 74 business financing projects. These projects have been spread through 20 different counties and have



created or retained a total of 3,333 jobs. The total amount loaned was \$38,336,813—which in turn spurred another \$174,272,350 in private investment. Of the jobs created or retained, over 60% were available for low and moderate-income populations.

**Goal: Promote prosperity that is shared throughout the state and contribute to the economic vitality of non-entitlement areas.**

**Initiatives:**

Fund infrastructure needed to retain or create jobs for low and moderate income persons.

Build infrastructure for housing that is associated with economic development projects.

Provide technical assistance to local governments to assist with meeting compliance issues that are barriers to economic and community development.

Train and assist eligible jurisdictions and their partners to develop and attain funding for economic and community development projects.

Help align economic development activities with state and local environmental and social objectives.

**2001 Performance Measures**

- Fund two infrastructure projects that support development or expansion of businesses in rural communities.
- Retain or create 200 jobs for low and moderate income persons.

**Public Facilities**

Infrastructure is critical to the state's economy and quality of life. Sufficient funding for infrastructure is also critical to the viability of Washington Communities. Available grant resources for infrastructure investment are severely oversubscribed. A 1999 Legislative Report identified a nearly 4 to 1 demand to availability ratio. The Local Government Infrastructure Study catalogued statewide infrastructure needs. It surveyed the anticipated need for bridges, storm water systems, domestic water systems, sanitary sewers, and roadways through 2003. The report identified a potential \$3.05 billion gap in available funds to meet these critical needs.

When CDBG resources are used to fund infrastructure, they are targeted to projects that have a clearly defined gap, have sought funds from all other eligible sources, are ready to go, and rank highly according to state program funding priorities. The program also emphasizes coordination with other major federal, state, local and tribal grant resources available within the state. These days, it is an extremely rare project that does not include funding from multiple sources.

Adequate planning also plays a critical role in the strategic targeting of limited resources for infrastructure. The CDBG program emphasizes the need for local jurisdictions to have clearly established project needs and priorities.

**Goal:** Use CDBG resources strategically to build essential infrastructure that benefits low and moderate-income individuals.

**Initiatives:**

Help local governments complete capital facility plans and work with them to implement their priorities.

Continue the CDBG Imminent Threat Grants to local governments with public facility emergencies that pose immediate and urgent threats to public health and safety.

Market CDBG resources to local governments to be used as gap financing for public facility projects which are consistent with comprehensive local and area-wide development plans.

**2001 Performance Measures**

- Fund eight water, storm water, or sanitary sewer projects that benefit LMI.
- Fund six planning projects that enable small rural communities to complete capital facility plans that benefit low and moderate income.

**Public Services**

Public service activities include aid to families and individuals to obtain and maintain adequate housing and a healthy living environment; to obtain emergency assistance through loans or grants to meet immediate and urgent individual and family needs – including health services, nutritious food & housing; and to obtain employment-related assistance – including securing and retaining meaningful employment.

Public service activities can make up a critical part of a community's social fabric. In the best of situations, they are coordinated with investments in community facilities, public infrastructure, and the economy. They are also most successful when applied in a holistic manner, taking into consideration an individual's needs for health care, counseling, childcare, employment assistance, affordable housing, and education. Services that are fragmented can be counter productive.

**Goal:** Address the root causes of poverty and provide coordinated public service assistance to low income individuals and families in ways that lead to self-reliance.

**Initiatives:**

Work with eligible cities and counties to plan for and address their public service needs.

Provide funding for projects that address local area gaps in the workforce development and social service system.

Provide funding for Individual Development Accounts (IDAs) to help low-income families further their education, develop a small business, or become a homeowner.

Serve as a catalyst to leverage additional resources such as Community Services Block Grant to address the causes and consequences of poverty.

### **2001 Performance Measures**

- Provide resources to assist in funding public service programs in 15 counties.
- Provide resources to three jurisdictions that have IDA opportunities for participants in activities by WorkFirst.

### **Technical Assistance**

Technical assistance to eligible CDBG jurisdictions includes assistance in planning and packaging projects, assistance in coordinating services, and assistance in establishing clear, local priorities. The CDBG program strives to deliver its services, whenever possible, in ways that increase a community's skill and the knowledge of local officials and their staff.

Small communities in Washington face special challenges. They are required to meet the same public health and environmental mandates as larger cities, but often lack the administrative resources to do so. The cumulative impact of multiple mandates tends to overwhelm small communities. Also, a smaller population usually means a smaller tax base, which makes it harder for smaller communities to be economically viable. These basic conditions faced by all rural communities make it paramount to promote linkages between community development service providers.

**Goal: Increase economic opportunities, relieve regulatory pressures and improve the quality of planning for rural, non-entitlement counties, cities and towns by supporting projects that contribute to livable and sustainable communities.**

**Initiatives:**

Coordinate project development activities with all other major federal, state and local providers of grant & other resources.

Design program materials, such as grant applications, to serve as project development tools. The process of applying for a CDBG grant should be as much about developing meaningful and useful plans for project implementation as they are about receiving a grant.

Conduct annual community development and grant application workshops in collaboration with other resource providers.

Provide on-site assistance to limited capacity communities that are facing critical needs.

Work directly with communities and their partners to develop and plan for their community development projects. Provide on-site debriefings for all jurisdictions that unsuccessfully applied for a CDBG General Purpose Grant.

**2001 Performance Measures**

- Help six counties establish WA-CERT planning processes.
- Help six local governments complete Community Investment Fund applications.
- Convene a meeting of major infrastructure funding partners to develop specific objectives to be used to guide coordination of resources to local governments.

**Additional Program Objectives**

In addition to the goals for each eligible CDBG activity, the program is proposing that the 2001 Consolidated Plan have five objectives that would apply to all eligible activities. Coordination of resources, support of rural enterprise zones/ enterprise communities, preservation of historic and cultural resources, collection of performance data, and the strategic distribution of CDBG resources.

**Coordination**

**Goal: Assure maximum coordination of resources among federal, state, tribal, and local organizations in support of the very best community development projects.**

**Strategy 1: Resource Team**

The Resource Team is one of several partnerships between the Office of Community Development and the Office of Trade and Economic Development. Staff members from both offices collaborate to review projects that are in development or have pending applications for planning or capital projects. Through the Resource Team, clients receive multi-disciplinary assistance from professionals engaged in economic development, growth management, and

community development services. Whenever possible, projects that might not be suited for funding by one program are seamlessly considered for funding by other more appropriate resource providers. The activities of Resource Team also enable the cross training of program staff and consistent application of state policy.

### **Strategy 2: Washington Community Economic Revitalization Team (WA-CERT)**

From a statewide perspective, Washington's economy is robust. From a rural perspective, there is a significant disparity between the economic growth occurring in the Puget Sound region and the continuing economic challenges of rural Washington. The Washington Community Economic Revitalization Team (WA-CERT) has invited all rural counties to participate in a system that offers rural communities access to several state and federal resources if they conduct local processes to identify and prioritize community and economic development projects. The CDBG program, along with most all of the other state and federal agency resource providers, use these locally determined project priorities to guide resource allocation decisions.

Once counties have processes in place to identify and prioritize local projects, the next challenge is increasing local capacity to fully develop, finance, and implement listed projects. The WA-CERT approach encourages participating state and federal agencies to assist with this local project development process. Over time, these agencies have developed a methodical, multi-step process to help participating jurisdictions directly or via local development partners to plan and implement projects. Assistance may include developing an assessment, strategy, plan, study, facility, site, system or related efforts that contribute to community economic vitality over the short or long term.

As the WA-CERT process becomes more effective is improved at the county level, more communities will probably expect to receive project development technical assistance. There is an opportunity to share lessons learned and improve coordination among agency staff toward improving service delivery in this arena.

There are presently six to nine non-entitlement counties that do not have systems for identifying and prioritizing local projects. As a result, the community and economic development needs of their communities are not considered by state and federal agencies that allocate resources based on WA-CERT project listings. Technical assistance to these counties will be a priority activity.

#### **Initiatives:**

Strengthen processes in rural counties for identifying and prioritizing projects.

Increase allocation of CDBG and other resources to rural area projects identified as high priorities on local WA-CERT lists.

Improve and build upon the project development approach for delivering services.

Develop specific criteria to be used to determine priority order for selecting WA-CERT projects that will receive technical assistance.

### **2001 Performance Measures:**

- Assist nine rural counties currently not participating in the WA-CERT process to set up local project identification and prioritization processes and to post projects in the system.
- Provide initial technical assistance services (pre-application review, scoping project context, planning/phasing review, eligibility assessment, project structure review, etc.) to a minimum of 18 listed WA-CERT projects requiring funding for implementation.
- Provide technical team assistance, assemble financing strategies, and secure funding to complete at least one element of the implementation plan for each of the 18 local projects. This could include securing funding for planning as well as predevelopment and construction phases.
- Assess 31 local WA-CERT systems to determine which are working well enough to serve as models for other counties.
- Assist 4-6 counties that have WA-CERT systems in place to improve them if they are not working well.
- Prepare a report detailing progress, technical assistance issues, and lessons learned.

### **Strategy 3: Small Communities Initiative**

The Small Communities Initiative was developed as a pilot project in partnership with the departments of Health and Ecology. Current efforts are supported by a one-time grant from the Environmental Protection Agency (EPA). Staff assistance is provided on-site to communities that are struggling with compliance orders and unable to make progress in addressing their critical community and economic development needs. The Office of Community Development will be seeking funds to continue support at the current level of activity beyond June 30, 2001.

Six communities are included in the current biennium's work plan (Cathlamet, Curlew, Lyman, McCleary, Tieton and Cowlitz). Real savings have been achieved in these communities due to intensive technical assistance and inter-agency coordination. Savings include lower project costs, lower utility bills, and reduced monitoring activity from regulatory agencies. Pilot communities have learned to manage projects and meet regulatory requirements. Compliance officers at the regional level have learned from working closely with professionals who specialize in community and economic development project planning and packaging. All parties have benefited from an approach that emphasized partnership in problem solving instead of monitoring and compliance.

The key to success was to assign a staff member who is an expert in project development and planning. She provided support wherever and whenever needed to resolve impasses between community and regulatory staff.

The Small Communities Initiative provides the glue that will assure that all four agencies will work together on holistic approaches to the needs of small communities.

### **2001 Performance Measures:**

- Capital and operating savings to communities and the state as a result of better planning – used to complete infrastructure projects.
- In the long term, state agency staff will spend less time with communities that chronically have a difficult time complying with regulations and there will be an increased level of trust between communities and regulators.
- Communities will better understand what is required of them and how they can comply, resulting in more communities in compliance with environmental and public health regulations.

### **Enterprise Zone & Enterprise Community Coordination**

Two areas of Washington State have qualified as federally designated Rural Enterprise Communities: the lower Yakima Valley and census tracts within Pend Orielle (9703), Stevens (9510), Okanogan (9702), and Ferry (9801, 9803) counties.

Rural Enterprise Communities are required to involve all of their community organizations and stakeholders in the pursuit of an action plan for revitalization. A major focus of a Rural Enterprise Community's revitalization effort is the empowerment of low-income residents.

The Program will give priority to CDBG eligible project proposals that directly address the objectives stated in a Rural Enterprise Community's action plan.

### **Preservation of Historic and Cultural Resources**

Historic and cultural properties are, like endangered species, a threatened resource. These resources represent a diverse yet fragile component of our built environment. Unlike many other kinds of resources, cultural and historic resources are non-renewable. Such properties are found in every community throughout the state. Examples are: downtown commercial buildings, farmsteads, large residential neighborhoods, bridges, ships, shorelines, trails, and rural landscapes to mention just a few examples.

These elements of our heritage are endangered by all kinds of threats. Each day, an historic or cultural resource is subject to change or obliteration by natural and manmade causes such as fire, vandalism, moisture, erosion, alteration or demolition. These actions represent not only the

degrading of our cultural heritage, but the removal of important economic and social assets and opportunities.

In Washington, the money needed for preserving these historic and cultural resources far exceeds the amount of available public resources needed for rehabilitation, education, acquisition, reconstruction, documentation, interpretation, and data retrieval. Although obtaining hard figures on the cost of addressing the state's preservation needs is elusive, year 2000 applications for a state funded preservation grant program exceed \$80 million. This represents only needs for publicly owned or accessible historic properties and excluded past unmet needs. Based on potential tax incentive applications, preservation of privately held historic and cultural resources likely approaches \$300 million each year. These estimates, though rough, represent only a fraction of the actual need for preserving the state's historic and cultural resources.

To assist in efforts to protect Washington's heritage, the Community Development Block Grant (CDBG) can play an important role. Achieving this role may be attained through various strategies including, but not limited to, the following:

**Goal: Promote the use of historic properties and protection of cultural resources.**

**Initiatives:**

Training potential CDBG applicants as well as preservation planners, historic property owners, and cultural resource managers.

Streamline Section 106 consultation procedures and project review.

Refer prospective CDBG applicants and managers of funded projects to The Office of Archaeology and Historic Preservation and/or local preservation authorities. Work to identify potential partnerships between CDBG applicants and the preservation community.

**2002 Performance Measures:**

- Develop a demonstration project for other prospective applicants.

**2001 Performance Measure:**

- Produce a State of Washington Section 106 consultation guide.



### **Data Collection:**

One of the keys to successful community development activities is preserving an institutional memory of what is working, and sometimes even more importantly, what is not. The period between federal census collections is too long to be truly helpful and informative when it comes to setting local-level community development priorities. At the same time, source data on a sub-county level is extremely difficult to accumulate. State and federal agencies can help rural areas by cataloguing how their resources are being spent and by tracking how projects have preformed.

### **Initiatives:**

Produce an annual report tracking key indicators at a county level. The intent is to track and store data at a sub-county and individual community level.

Produce an annual catalogue of CDBG investments that tracks project benefits on a long-term basis.

Use data collected to promote and inform an annual dialogue about the lessons learned from CDBG investments.

Enhance Office of Community Development databases to enable the storing and sharing of key data for CDBG clients regarding preservation and protection of historic and cultural resources.

### **2001 Performance Measures:**

- Produce a county level report that evaluates the performance of CDBG investments made since 1982.

### **Distribution of Funds**

A key challenge facing the state is to deploy resources so that Washington State can enjoy sustainable economic vitality in every community, rural and urban alike. The state is diverse. Most non-entitlement CDBG eligible areas are dependent upon natural resource industries. Seasonal, cyclical, and structural changes to rural natural resource economies within Washington has become the norm.

**Goal: Strategically target resources to activities that leverage other funding sources, reflect community priorities, and are based on needs.**

**Strategy 1:** Provide a balance between state and sub-state regional priorities in the distribution of CDBG dollars for all eligible activities by providing separate funding methods for statewide and countywide priorities.

**Strategy 2:** Keep application processes simple. Survey customers annually. Proactively support jurisdictions in meeting HUD application requirements and regulations.

# **INSTITUTIONAL STRUCTURE AND GOVERNMENT COOPERATION**

## **Introduction**

The housing delivery system is a continuum. Historically the private sector provided housing for people in all income categories. Today, for those with moderate- and middle-incomes, housing is delivered by the private sector without substantial government subsidy beyond the tax advantages of homeownership.

For people of very low-income (below 50 percent of median income), the public sector has taken the responsibility to provide substantial subsidies. For people of low-income (below 80 percent of median income), the public sector provides shallower subsidies, often in cooperation with the private sector. In the moderate-income category (below 100 percent of median income), shallow and indirect subsidies are used to support the private sector delivery system. In the middle-income category (120 percent of median) and above, the private sector is the primary housing delivery system.

Washington's current delivery system includes direct subsidies and tax-driven programs for the low-, moderate- and middle-income categories of the income spectrum.

Federal, state and local governments play a variety of roles in this system, from direct financing of rehabilitation and new construction, to providing direct subsidies, such as rental assistance, weatherization, and other income transfer devices, and indirect subsidies, such as tax deferrals and benefits. Governments also play roles in real estate finance, secondary market insurance, regulation, information and consumer protection. Government has a role in research and development to promote innovation and the use of new technology. And finally, governments have a role in planning to promote competition and choice.

The housing delivery system and its resources are best understood in terms of the housing programs and the institutional structure through which those programs are implemented. The housing delivery system's success is ultimately measured by whether it produces enough units so that all people actually have decent, affordable housing.

## **Public Institutions**

The federal government provides significant funding for housing programs in the state of Washington. These include HUD programs such as HOME, ESGP, Section 8, McKinney, CDBG, HOPWA, and programs of other federal agencies.

By far the greatest federal subsidy is the federal income tax mortgage interest deduction available to homeowners. This subsidy goes predominantly to middle- and upper-income households.

## **The State Role in Housing**

State legislation has expanded the role of Washington State in housing. In 1999, the legislature appropriated a \$60 million housing assistance package for the 1999-2001 biennium which includes a \$5 million set aside for housing persons with developmental disabilities and a \$1 million set aside for domestic violence shelters. Additionally, \$8 million from the capital budget was provided for farmworker housing and \$5 million for homeless families with children.

The legislature and the Governor set the role of the state in the housing delivery system. The Office of Community Development Housing Division and the Washington State Housing Finance Commission assist in the development of that role and, ultimately, implement the programs created to meet the housing needs of Washington State.

## **The Office of Community Development**

In 1994, the Department of Community Trade and Economic Development was created through the merger of the Department of Community Development (DCD) and the Department of Trade and Economic Development (DTED). The cabinet level agency's purpose includes providing financial and technical assistance to communities and providing communities with "access to opportunities for productive and coordinated development beneficial to the well being of the communities and their residents." (RCW 43.63A.030) CTED was given responsibility for implementation of the Growth Management Act and was instructed to work with local communities to plan for growth. Housing is a critical piece of that planning process.

In the 1993 Washington Housing Policy Act, CTED was named the principal state agency responsible for coordinating federal and state resources and activities in housing except for WSHFC programs. It also has the responsibility to staff the Affordable Housing Advisory Board (AHAB) established in the Housing Policy Act.

In 2000, the legislature provided direction to split CTED administratively into two offices, the Office of Community Development (OCD) and the Office of Trade and Economic Development (OTED). The Governor intends to pursue legislation during the 2001 session to create two separate departments. The Housing Division, the Local Government Division (which contains the Growth Management Program) and the Community Services Division are located in OCD. The Workfirst Program, economic development programs and the international trade division are located in OTED.

## **The Housing Division of OCD**

The Housing Division of OCD is the backbone of the Washington State housing delivery system. As an advocate for the right to decent housing for all people in Washington, the Housing Division:

- Provides information, education, and technical assistance;
- Facilitates communication and promotes partnerships among the many entities related to housing issues;

- Packages and leverages a variety of resources and services to produce comprehensive, cost effective, innovative housing solutions;
- Administers financial resources to service providers;
- Develops and operates housing programs to meet low-income and special needs; and
- Exercises leadership in addressing key issues that will strengthen statewide housing programs.

OCD also provides housing-related financial and technical assistance to non-profit organizations, cities, and counties throughout the state. Technical assistance through the Housing Resource Team (HRT) is provided largely to rural areas to help them in all phases of low-income housing development through assessing their housing needs and developing and implementing appropriate community- based housing programs.

Through its programs and policies, OCD plays many roles, but sees its role primarily as a “local capacity builder,” enabling non-profit organizations and local governments to meet the needs for low-income and special needs housing in their communities”.

### **Major Strengths and Accomplishments of the Housing Division**

- Administers the Housing Trust Fund and other capital programs as flexible sources of funding for low-income housing development. Since 1995, \$168 million has been awarded, affecting over 16,000 low-income housing projects.
- Developed programs to finance housing for farm workers, people with developmental disabilities and for homeless youth.
- Assisted in the passage of a \$78 million capital budget for housing for the 1999-2001 Biennium.
- Created the Housing Resource Team, a program designed to provide technical assistance to local communities.
- Provides a state forum for housing, including numerous workshops and conferences around the state.
- Provides federal-funded weatherization throughout the state, leveraging about \$10 million biennially from Washington utilities and other sources.
- Administers a number of programs on manufactured housing, including a state ombudsman program, relocation assistance, federal regulatory responsibilities, recording ownership, training, and certification of installers of manufactured homes, and a number of other consumer education programs.
- Provides partial operating funding for most homeless shelters statewide.
- Provides mortgage and rent assistance in communities adversely affected by downturn in timber industry.
- Completed a number of reports, studies, and documents to inform decision makers on housing, including statewide and community housing needs studies, studies on regulatory reform, model ordinances, the Homeless Families with Children Plan, and estimates on federally-subsidized households at risk.
- Manages federally funded housing assistance programs, such as HOME, weatherization, and homelessness programs.

- Together with the Growth Management Services Area, reviews the Housing and Land Use elements of all Growth Management Comprehensive Plans submitted by jurisdictions throughout the state.

### **The Local Government Division of OCD**

The Local Government Division (LGD) administers the state's Community Development Block Grant (CDBG) program. LGD strives to make the program responsive to local community development needs of low-income populations. In Fiscal Year 1999, housing projects and needs assessments represented about one-quarter of the total funds awarded. Eligible housing activities include rehabilitation of rental and owner-occupied units, site improvements for new housing construction, and acquisition of property for the development of housing for low-income families. Eligible applicants for the small cities CDBG program are cities and towns with less than 50,000 in population or counties with less than 200,000 population, provided the cities, towns, and counties do not participate as members of HUD's Urban County Consortia.

The local Development Assistance Services Area also participates in the Section 108 Loan Guarantee Program. The guaranteed notes may be used to finance a range of activities eligible under the CDBG program, including housing.

### **Major Strengths and Accomplishments of the State CDBG Program**

- Granted over \$32 million to 74 non-entitlement jurisdictions for housing rehabilitation and side sewer and water connections since 1986.
- Assisted in rehabilitating a total of 1,278 housing units and 581 site sewer and water connections since 1986, with additional projects currently in progress.
- Provided planning funds to 15 eligible communities to undertake housing needs studies and plans.
- Provided over \$2 million in assistance to communities for acquisition of property and development of infrastructure in support of housing units since 1986.
- Leveraged over \$13 million from local, private, state, and other federal funds for housing projects since 1990.
- The CDBG program is able to assist communities in housing areas such as planning, acquisition, infrastructure, side sewer/water/electrical connections, and rehabilitation, all in direct support of housing activities.
- Granted over \$9 million and leveraged over \$53 million for economic development projects which indirectly support housing activities through job retention and creation. Since 1986, these funds have assisted in the retention for creation of over 1,600 jobs, 996 which are held by low-to moderate-income people.
- Assisted in providing over \$17 million for public projects to maintain and enhance the viability of rural communities.
- Have the ability to fund projects which address a serious, immediate, and unanticipated threat to public health or safety.

- Provide funds for public service activities such as, but not limited to, childcare, drug abuse counseling, fair housing issues, emergency shelter, and services for homeless people.

## **The Community Services Division of OCD**

The Community Services Division works through community-based organizations to empower low-income families and individuals to meet basic needs and attain self-sufficiency. The Community Services Block Grant program includes funding for emergency services. Part of these funds are earmarked for homelessness prevention and client assistance provided by community action agencies. This Division also administers low-income home energy assistance programs, a program for providing emergency food assistance and a program for early childhood education.

## **The Office of Trade and Economic Development**

### **WorkFirst**

The Office of Trade and Economic Development (OTED) is one of four state agencies responsible for administering WorkFirst, the state's welfare reform program, which was established by Governor Locke in 1997. The other state partners are the Department of Social and Health Services (DSHS), Employment Security Department (ESD) and the State Board for Community and Technical Colleges (SBCTC). At the local level, additional partners are involved, including tribes, employers, and community-based organizations. In each region of the state, these partners meet regularly to review local progress toward WorkFirst performance targets and to develop annual "local area plans." OTED is responsible for facilitating this local area planning process. In addition, OTED manages a variety of programs that help recipients of Temporary Assistance to Needy Families (TANF) transition from welfare to work, as well as assisting the businesses that employ them.

The Community Jobs program provides transitional community-based employment and training opportunities for hard-to-employ WorkFirst participants with significant challenges to entering the regular job market. The Social Enterprise program creates transitional skill-building jobs through the development of social mission-driven business ventures owned and managed by nonprofit organizations. Through the Business Outreach and Employer Assistance programs, OTED involves businesses in WorkFirst, helping them to recruit, retain and advance low-income individuals. The Individual Development Accounts (IDA) program rewards working-poor families' by matching their savings so that they can purchase an asset that will help them advance economically, whether it's their first home, a small business, or post-secondary education. OTED anticipates implementing a new initiative in early 2001 that will provide transportation assistance to WorkFirst participants.

## **The Washington State Housing Finance Commission**

The WSHFC is a self-supporting agency which was created in 1983 to act as a financial conduit to issue non-recourse revenue bonds and participate in federal, state, and local housing programs.

It makes additional funds available at affordable rates to help provide housing throughout the state. In 1987, the Commission was designated the state's allocating agency for the Low-Income Housing Tax Credit Program. In 1990, the Commission's authority was expanded by the Legislature to finance nursing homes and non-profit-owned cultural and service facilities.

The Commission's primary role is to provide below-market-rate financing through tax exempt bonds and federal tax incentive programs. People typically assisted by the Commission's first-time homebuyer programs are in the 70 percent to 115 percent of median income range, with approximately half of the borrowers earning less than 90 percent of the state median income.

The Commission currently operates 11 separate programs. They are under the Capital Projects Division, the Affordable Housing Division, and the Finance Division.

### **Other State Agencies and Organizations**

Other state agencies, such as the Department of Social and Health Services, provide housing assistance or housing subsidy as an outgrowth of the service needs of their clients. These include serving youth through group and foster care. In addition, DSHS operates the state's human services programs and Temporary Assistance to Needy Families (TANF). The DSHS has been working with OCD to develop the Homeless Families Plan. OCD works closely with the Division of Developmental Disabilities to coordinate services in housing that is financed by OCD.

The Washington Center for Real Estate Research of Washington State University conducts research and market analysis on housing and other real estate. They recently developed a statewide housing market data base that compares values, rents, vacancies and expenses in major markets and have now begun issuing quarterly reports.

### **Interagency Cooperation and the Housing Agenda**

The need for better coordination and communication among the state agencies that play a role in the housing delivery system has been as a critical issue at the state level. OCD and representatives from other state agencies whose work impacts the housing delivery system agree that they must work together to improve the access to affordable housing for Washington residents and have made an effort to improve communication and coordination. OCD invited these other agencies to participate in identifying priorities and strategies during the development of this Consolidated Plan, and will continue to involve them in future planning efforts.

A key role in achieving the state's housing agenda is carried out by the Affordable Housing Advisory Board (AHAB) which was authorized under the state Affordable Housing Policy Act. Its principal function is to analyze and recommend programs to achieve the state's housing goals.

### **Local Government**

Local governments' responsibilities in the housing delivery system have been vastly expanded. The traditional housing roles of local government in Washington have been expanded with the

Growth Management Act (GMA). Comprehensive planning is now required for 246 jurisdictions. The GMA sets a state framework and timelines for new plans to be developed, along with consistent regulations to implement the plans,

Significant features of comprehensive plans under GMA are that they are locally developed and initiated within the state framework. The state provides some guidance, technical assistance, mediation, and funds to support the local planning effort. The provision of funds is essential to success. The principal responsibility for making the difficult decisions rests with local elected officials. The basic tenet is one of trust—trust in local officials’ willingness and ability to step up to the challenge.

Local governments have also taken on direct funding of low-income housing. Communities are spending general fund dollars and passing levies and bond issues to support rehabilitation and new construction.

Specific factors addressing housing and housing affordability within the GMA include:

- Strong goals encouraging housing affordability to all economic segments of the state’s population, including a variety of types and densities; preservation of existing stock; calling for timely and fair processing of permits to ensure predictability; encouraging development where adequate public facilities and services exist or can be provided; and, controlling the inappropriate conversion of undeveloped land into sprawling, low-density development.
- Requirement that local governments designate urban growth area (UGAs) where development can be served by adequate public facilities in an efficient manner. Urban growth areas must include an adequate land supply to accommodate future population growth.
- Requirement that new local comprehensive plans include a housing element which includes the identification of sufficient land for a broad range of housing types, including those historically difficult to site.
- Requirement that local development regulations and capital improvement plans are both consistent with, and implement, the comprehensive plan.
- Requirement that on a countywide basis, local jurisdictions develop and adopt a set of planning policies on region-wide issues to guide the development of individual plans. Housing policies that consider the need for affordable housing for all economic segments of the populations and parameters for its distribution must be included.
- Provision of a state role in establishing the parameters for local comprehensive plans and a method for the state to challenge local plans that fail to meet the requirements of the GMA. Independent growth planning hearing boards are established to provide a forum for timely resolution of disputes as an alternative to court challenge.



- Requirement that local governments identify and protect environmentally sensitive lands (critical areas) and valuable resource lands up front so that urban area designations can factor in their impact on land availability, as well as providing predictability and certainty to the development community.
- Requirement that local governments' plans and those of adjacent jurisdictions be consistent and, that subsequent development regulations and actions be consistent with the plans.
- Requirement that all jurisdictions ascertain that adequate water is available before residential building permits are issued, and assure that adequate public facilities will be provided before approving any residential subdivision. These two new provisions apply statewide and are in effect now.

### **Public Housing Authorities (PHAs) in Washington**

Public housing authorities are units of municipal government. In 1939 state law prohibited each city, town, and county to create a housing authority to serve its own political subdivision. They became active when the governing body adopts a resolution declaring a need in the local community, and the elected executive appoint the commissioners, thereby establishing the housing authority as a municipal, non-profit entity. Today there are at least 36 active housing authorities across the state.

Housing authority powers include: the ability to develop, own and manage housing; to develop housing through partnerships and joint ventures; make loans to non-profit and for-profit housing developers; issue tax-exempt and taxable bonds to fund such loans as well as finance their own housing; investigate and study housing conditions to make recommendations concerning improvements; acquire property for "housing projects" through the power of eminent domain. Property owned by housing authorities is exempt from all taxes or special assessments.

Historically, the main business of housing authorities was the development and management of housing built with federal resources and the administration of a federal rent subsidy program for privately owned housing to assist low-income individuals and families. Initially, public housing was to be an interim solution for families that temporarily were low-income, and included housing for workers in the World War II defense industries.

The role today is somewhat different. It results from changes in federal policy and the prioritization of resources. The majority of the households who live in public housing today have incomes well below 50 percent of median; below even 30 percent of median. Increasingly, households need supportive services to attain independence. A large number of frail, elderly people and single individuals with disabilities live in housing authority units. The latter often are mainstreamed into the community from institutional settings; many with inadequate support. Families need assistance, too. Many households are headed by single parents who often lack education or job skills. Families face issues like the short supply of childcare, domestic violence, and the decline of real income.

During the last 20 years, as local governments began to invest their resources in housing, housing authorities entered into creative partnerships with private, non-profit agencies, and local governments. The purpose was twofold; increase the supply of affordable housing, and address some of the issues identified above.

Today housing authorities wear many hats; housing developer and manager, including manager of privately-owned housing; administrator of federal and local rent subsidy programs for privately-owned housing; land-use planner; coordinator of social services; provider of special needs housing including emergency shelters, transitional housing, and congregate care facilities; administrator of weatherization programs; single-family mortgage lender for both housing rehabilitation and first-time homebuyer programs; and multi-family lender to non-profit and for-profit developers.

Several housing authorities, including Vancouver, Pierce County, Tacoma, and Seattle, have set up 501 (c) (3) non-profit corporations. The primary advantages cited included taking advantage of federal programs not available to public housing authorities, gaining operational flexibility by avoiding onerous regulations, and generating resources that can be used to offset losses in federal programs.

One housing authority formed a general purpose non-profit and is a partner with four others. It provides administrative, development, and management services to them on a fee basis. The other non-profits set up by housing authorities are independents of the parent authorities. One owns and manages its own units, operating more like a private sector manager of affordable housing. Another provides development and financial consulting services to housing authorities and other non-profits.

As part of its capacity building efforts, OCD offers coordination and technical assistance to PHAs in rural areas and may contract with well-established PHAs to assist start-up non-profit housing developers.

#### Cooperation and Coordination Between the State and Local Governments

During the development of the 2001 Consolidated Plan, CTED sponsored a series of public meetings to solicit input on local housing needs and priorities, and to provide an opportunity for coordination in the development and implementation of the state's housing strategies. Local governments were invited and encouraged to participate in this process.

OCD is coordinating with local governments on such specific housing issues as lead-based paint and implementation of Title X, the Residential Lead-Based Paint Hazard Reduction Act of 1992 and Section 7 of the Endangered Species Act.

Planning requirements and, specifically, the GMA, require cooperation and coordination among regions and between local and state governments. The Housing Division in conjunction with Growth Management, has produced a Housing Needs Assessment Workbook and a guide to preparing housing elements to be used by local governments in developing their comprehensive

plans. In addition, HRT makes technical assistance available to local governments for a variety of planning activities.

The Affordable Housing Advisory Board established under the State Housing Policy Act provides a focal point for increased cooperation between state agencies and local government.

## **Private Industry**

### **Private Developers**

Private for-profit developers are critical to the health of the housing delivery system. They have historically provided well over 90 percent of all housing in the state. Where private developers have been able to make money in the housing markets, they have been able to supply an adequate amount of affordable housing to working families. Ensuring that private developers continue to fill their vital role is an important part of the Washington State housing delivery system.

As costs have risen, the gap between what is affordable and what the private market can produce has grown. Several structures have been developed to fill this gap. Some are the programs of the WSHFC discussed earlier. Others have been organized by lending institutions around the state and are discussed below.

### **Financial Institutions and Corporate Activities**

The impact of changes to the National Community Reinvestment Act (CRA) has been felt in Washington State. Several private lending institutions have made significant contributions to the state's housing delivery system through their CRA programs and their cooperation with state financing programs. Lenders in the state have organized the Washington Community Reinvestment Association (WCRA), a non-profit consortium of lenders to finance affordable housing. Member banks pledge funding to a loan fund for affordable rental housing.

Many private lenders in the state also provide market rate debt financing for low- and moderate-income housing projects. Although these lenders have not been able to price loans at a rate which allows for the development of low- and very low-income housing by this financing alone, many projects financed through the state's Housing Trust Fund programs have leveraged funds using conventional loan products. Many private lenders have also successfully participated in the programs of the WSHFC and provide both construction and permanent loans for both bond financed and tax credit projects throughout the state.

In addition, recent mergers involving major financial institutions in Washington have provided the occasion for greater commitments to community reinvestment activities. Spurred on by an advocacy group organized as the Washington Reinvestment Alliance (WRA) several private lenders have adopted commitments to greater involvement in low- and moderate-income and geographic areas, supported manufactured housing loan programs, and homeowner education efforts. There is also wide private lender support for Impact Capital, a nonprofit lender specializing in pre-development and bridge loans.

Unfortunately, tighter federal regulations regarding real estate lending has forced many lenders to adopt underwriting criteria that are difficult to meet. Both construction and permanent financing for multi-family projects continue to be difficult to find in the current environment. In this climate, innovative projects receive exceptionally close scrutiny.

An exception is the Federal Home Loan Bank, which provides member banks with wholesale financing and provides housing subsidies from Affordable Housing Program and Community Investment Fund for low- and moderate-income projects.

### **Non-Profit Developers and Capacity Builders**

Without non-profit developers, much of the low- and very low-income housing in the state would simply not be built. The role of these organizations cannot be overstated. The efforts of the Low-Income Housing Congress, a statewide lobbying organization, were crucial to the passage of the 1999-2000, \$73 million capital budget for affordable housing programs. In Spokane, various organizations have established the Spokane Low-Income Housing Consortium (SLIC). The SLIC hired an experienced housing practitioner and together they have set about the business of increasing the capacity of non-profit organizations and church groups to develop, own, and operate low-income housing. The City of Seattle has a multiplicity of non-profit developers, organized in the Seattle Housing Development Consortium.

The Rural Community Assistance Corporation offers technical assistance in developing FmHA Self-Help Housing projects and other rural housing and infrastructure projects. Impact Capital provides technical assistance, pre-development and bridge loans throughout the state. There are also three non-profit corporations operating in the state who have been funded by HUD to provide technical assistance to Community Housing Development Organizations (CHDOs).

However, it is still true that there are fewer non-profit developers outside of the major metropolitan areas. Two exceptions are the Office of Rural and Farmworker Housing and Northwest Regional Facilitators. Increasingly, community action agencies in rural counties are also stepping in to fill this gap.

The critical issues facing all non-profit developers are sources of funding for operating costs, seed money needed for pre-development costs, and access to the technical assistance needed to do development. Impact Capital offers pre-development financing for housing projects developed by non-profit housing community development corporations.

For the new non-profit housing organizations that will form to develop housing outside the metropolitan cores, and for existing agencies that are expanding their mission to include housing development activities, technical assistance and capacity building, operating and pre-development funds will be critical.

## **Assessment of Gaps in the Delivery System**

### **Gaps in the Federal Delivery System**

Since the 1980's, the federal housing policy has shifted away from stimulating the supply of affordable housing toward a policy of rent subsidies. Federal programs such as the LIHTC and the HOME program have not come close to equaling earlier appropriations for stimulating housing supply. In almost every arena except the home mortgage interest deduction, the federal government reduced its role in the housing delivery system. The value of tax-exempt bond authority for financing single-family homeownership and multi-family rental housing and the LIHTC have not kept up with inflation. In fact, the LIHTC per capital allocation has not been increased since the program was introduced in 1986.

HUD's reliance on the provision of certificates and vouchers to stimulate housing supply by stimulating demand is not sufficient and one-year contracts for Section 8 project based housing are not enough.

### **Lack of Flexibility**

Over-regulation has become a problem with federal programs, including the LIHTC program. Complex rules slowed implementation of the HOME program; however, recent changes in the regulations have improved program administration. Federal agencies have recently shown some flexibility in timeframes for implementation of new lead based paint regulations.

### **State Role in Affecting Federal Housing Actions**

Federal housing program and funding decisions are often made without consulting the states on their priorities, needs, and policies. Better coordination is needed between state and federal programs. Federal agencies should consult with the state regarding state priorities, policies, needs and available resources before taking actions that significantly affect housing programs in the state.

### **Gaps in the State Delivery System**

- Funding source for meeting operations and maintenance expenses of special needs housing and temporary housing for migrant farmworkers is needed.
- Funding to respond to federal requirements to mitigate lead based paint hazards is needed.
- Funding for "soft" costs is needed. The primary source of state funding for housing is from the capital budget, which restricts eligible costs to "bricks and mortar".

### **Gaps in the Private Sector Delivery System**

- Coordination with state and local government regulatory structures is improving but is not yet satisfactory.

### **Gaps in the Financial Institutions Delivery System**

- Financial institutions lack sufficient outreach capacity to provide technical assistance.
- Government regulations, in part, limit financial institutions' ability to finance multi-family development.
- Underwriting standards prevent financial institutions from financing housing for low-income populations without additional subsidy.

<b>Table 2: Strengths and Weaknesses of the Institutional System</b>				
	Institution	Purpose and Role	Strengths	Weaknesses
<b>Public</b>				
<b>1.</b>	<b>Federal</b>			
	DHUD	Major federal department funding block grant and special purpose programs for rehabilitation, new construction, tenant assistance, mortgage lending.	Major source of funds, history of program operation, network of regional and area offices to deliver services.	Has been reducing role and funding, conflicting and overzealous regulation of activities.
<b>2.</b>	<b>State</b>			
	OCD	Major cabinet level housing agency in state. Staffs Affordable Housing Advisory Board, administers state and federal housing programs, CDBG in non-entitlement areas.	Major funding source, trust fund programs, and technical assistance.	Lacks source of operating funds for special needs and farmworker housing.
	Housing Finance Commission	Conduit for financing; operates single and multi-family mortgage revenue bond program, affordable housing, tax credit and non-profit assistance programs.	Below market financing and tax credit programs. Self-supporting – coordinates closely with private and federal financial institutions.	Functions limited by state charter and IRS rules.
	DSHS	Major service provider to disabled and low-income residents of the state. Many clients have housing needs.	Large client population, network of offices, data system	Coordination of housing activities difficult because of size of agency and regulations surrounding use of service funds
<b>3.</b>	<b>Local</b>			
	Governments	Provide comprehensive planning, including housing; land use regulation, CDBG administration in entitlement areas.	Most are now planning under GMA, giving them obligations to provide affordable housing.	Many are unfamiliar with housing program administration; many are too small to manage housing programs.
<b>4.</b>	<b>Public</b>			
	Housing Authorities	Own and manage public housing, Section 8 units; finance and development with non-federal funds, homeownership programs, tenant-based assistance.	Management, finance, starting new ventures	Some are too small to provide effective management, shortage of appropriate units for Section 8 placement.



**Table 2: Strengths and Weaknesses of the Institutional System (Continued)**

	<b>Institution</b>	<b>Purpose and Role</b>	<b>Strengths</b>	<b>Weaknesses</b>
<b>Private</b>				
<b>1.</b>	<b>FHLB</b>	Provides member banks with wholesale financing; provides housing subsidies for low- and moderate-income households from the Affordable Housing Program and Community Investment Fund.	Markets member services; affordable program is noteworthy for efficiency.	Project monitoring is a new, as yet untested activity of FHLB of Seattle.
<b>2.</b>	<b>Private Lenders</b>	Provide a market rate debt financing, CRA activities to expand participation of low- and moderate-income households.	Largest single source of market rate financing.	Rising interest rates are limiting ability of lower income households to purchase housing.
<b>3.</b>	<b>Private Developers</b>	Build market rate single-family and multi-family housing.	Largest producer of housing, greatest expertise in development process.	Profit margin discourages involvement in low- and moderate-income multi-family housing; restraints on conventional financing; not always eligible for public funds.
<b>Non-Profits</b>				
<b>1.</b>	<b>RCAC ORFH</b>	Provide technical assistance on FmHA, farmworker housing programs.	Expertise in working with small organizations in rural settings.	Limited funding, limited capacity of local groups.
<b>2.</b>	<b>Impact Capital/LISC</b>	Raises private corporate and public funds to stimulate low- and moderate-income housing through seed money, predevelopment, bridge loans and technical assistance.	Technical assistance, organizational training, pre-development fund.	Limited funding.
<b>3.</b>	<b>Housing Developers</b>	Assist sponsors to develop and package housing projects, secure funding, and manage implementation.	Working with churches special service providers and other non-profit sponsors.	Need seed money, operating, training funds.